

COLUMBIA BOROUGH SCHOOL DISTRICT

COLUMBIA, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Prepared by:
District Business Office

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COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2006

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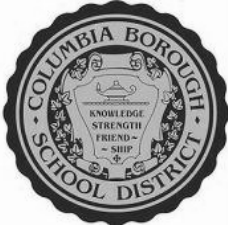
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COLUMBIA BOROUGH SCHOOL DISTRICT
200 North Fifth Street, Columbia, PA 17512
Phone: 717-684-2283 - Fax: 717-681-2617

"Dedicated to Excellence..."

Barry W. Clippinger, Ed.D., Superintendent
P. Diane Frey, Ph.D., Assistant Superintendent
Laura E. Cowburn, PRSBA, Asst. to the Supt. for Business Services/Board Secretary

The district will not discriminate on the basis of race, color, sex, religion, national origin, disability, or age. District Contact person is the Superintendent of Schools.

December 14, 2006

CITIZENS OF COLUMBIA BOROUGH SCHOOL DISTRICT:

We are pleased to present the Comprehensive Annual Financial Report for Columbia Borough School District, Lancaster, County, Pennsylvania (the "District") for the fiscal year ended June 30, 2006. The District business office prepared this report. Responsibility for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the District. We believe that the data is accurately presented in all material respects, that it is presented in a manner designed to fairly present the financial position and results of operations of the District as measured by the financial activity of the various funds, and that all disclosures necessary to enable a reader to gain the maximum understanding of the District's financial affairs have been included. This report has been prepared following the guidelines recommended by the Association of School Business Officials, International and the Government Finance Officers Association of the United State and Canada.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The CAFR consists of four sections:

- (1) The Introductory Section. This section includes a transmittal letter, list of principal officials of the district, an organizational chart, and information on financial reporting achievements.
- (2) The Financial Section. The financial section consists of the independent auditor's report, the MD&A, basic financial statements, required supplemental information, and combining and individual fund statements and schedules. The basic financial statements present both an overview and a broad long-term perspective of the District as a whole in the government-wide financial statements.
- (3) The Statistical Section. Included in this section are a number of tables of unaudited data depicting the financial history, demographics and other miscellaneous information of the Columbia Borough School District for the past ten years, as well as some current information.
- (4) The Single Audit Section. The District complies with the requirements of the Single Audit concept, in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 (P.L. 104-156) and the United States Office of Management and Budget, Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." This section includes all related information, including the Schedule of Expenditures of Federal Awards, and the auditor's reports on the internal control structure and compliance with applicable laws and regulations.

The users of this report should review this Introductory Section and follow with the overview and analysis found in the Management Discussion of Analysis for a complete overview of the District activities.

A BRIEF DISTRICT HISTORY

Originally named Wright's Ferry and founded by John Wright in 1726, Columbia was an early center for turnpike, canal and railroad activity at an important Susquehanna River Crossing. As early as 1807, landowners such as Samuel Wright sold or donated land for the purpose of establishing a school. In the 1830's, the Commonwealth of Pennsylvania gave schools additional power to regulate themselves. Consequently, a local school board was created and Columbia became one of the first communities to accept that obligation and that of taxation to support its schools.

The 1850's brought more organization to Columbia's education venture. The Public Ground Company (established to manage public property for the good of the citizenry) purchased ground for the construction of an academy. Additional ground was purchased from John Houston Mifflin in 1856. By 1857, there were six separate schools in place all experiencing various degrees of success. It was at this time that consolidation of the existing schools seemed to be the answer for improving the educational program.

In the early 1860's, a 3-story building of 18 rooms was built on Cherry Street. The Cherry Street School would eventually be rated as one of the largest and finest schools in the Commonwealth at that time. On April 1, 1875, Benjamin G. Ames became the first superintendent of schools.

In 1876, the Washington Institute building was leased to the District. In 1916, that building was demolished. In its place was erected a new high school built on Park Street that opened in 1917. An addition was added to the high school in 1939, which was opened in 1940. The high school remained at the Park Street location until 1956. The current junior/senior high school was constructed and opened for students in 1957. It currently houses Grades 7-12.

The District has two elementary buildings, each housing grades K-6. The William G. Taylor Building was established in 1904 because of the shift of community growth away from the river. It was demolished in 1987 and the current Taylor Elementary School was opened in 1988. Park Elementary School was established when the high school moved to its new location on the hill. Renovations to transform the school into an elementary center occurred in 1980, with additional renovations in 1998.

During the fiscal year 2003-2004, a local congregation that was consolidating two churches to one donated the vacant church and property to the District. Today, the facility houses the District Administration, which was scattered throughout the other buildings, and rents space for a community day care program.

THE REPORTING ENTITY

The District is a school district of the third class organized under state law and located in Lancaster County in south central Pennsylvania.

The District is governed by a nine member Board of School Directors (the "Board"), elected for four-year terms. The Superintendent is the chief administrative officer of the District with overall responsibility for all aspects of operations, including education and finance. The Assistant to the Superintendent for Business Services is responsible for budget and financial operations. Both officials are selected by the Board and contracted in accordance with Pennsylvania School Law and relevant legislation.

The District provides a comprehensive educational system from kindergarten through grade twelve, including regular instruction, special instruction, vocational education and necessary support services. The Mission Statement of the District states: "The Columbia Borough School District is committed to excellence in providing educational experiences that prepare each student to become an independent, life-long learner and a responsible, caring citizen able to succeed in an ever-changing world." Recognition awarded to the District and its students each fiscal year provides evidence of this pursuit. To ensure the continued success of the District programs, a Strategic Plan was adopted by the Board that is

The Reporting Entity (cont.)

utilized as a blueprint to ensure a comprehensive educational program that would enable all students of the District to fulfill their maximum potentials and to achieve success. Total enrollment as of October 1, 2006 is 1,421.

The District employs approximately 220 employees, including 135 teachers and administrators, and over 85 full- and part-time support personnel. The District's teachers are represented by the Columbia Education Association (CEA), an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the District, which expires June 30, 2009. The CEA has not had a strike in more than 25 years.

Legal Entities

The District presently operates two elementary schools and one junior/senior high school. Students in grades 10-12 also may attend the Lancaster County Career and Technology Center (the "LCCTC").

The LCCTC is a separate legal entity, which serves the sixteen public school districts in Lancaster County through a joint venture agreement. The District also participates in the Lancaster County Vo-Tech School Authority (Vo-Tech Authority) that was formed to provide LCCTC with the ability to acquire land and construct facilities for the LCCTC programs and services.

The District maintains other joint venture relationships with the following entities:

- Lancaster-Lebanon Intermediate Unit No. 13, an entity organized by the public school districts in Lancaster and Lebanon counties to provide special education services, as well as other services where a cost savings through a joint effort may be realized;
- Lancaster-Lebanon Joint Authority, an entity formed to provide the LLIU with the ability to acquire land and construct facilities for the LLIU programs and services;
- Lancaster County Academy, organized by nine public school districts in Lancaster County to provide alternative education services to identified students; and,
- Lancaster County Tax Collection Bureau organized to provide an efficient and consistent method of earned income tax collection and distribution to school districts, townships and municipalities.

ECONOMIC CONDITION

The District comprises the same boundaries as the Borough of Columbia located on the east shore of the Susquehanna River, and comprises 2.4 square miles of Lancaster County's 946 square miles. Lancaster County is part of the middle Susquehanna River Basin, located adjacent to York County, separated by the Susquehanna River, west of Chester County, with the South Mountains and the Conewago Creek as natural barriers, and southwest of Berks County. The Pennsylvania-Maryland state line borders the southern tip of the county.

The District is crossed by Interstate Route 30, which provides the direct access to York County and Chester County as well as connections to other Interstates leading to Harrisburg, Philadelphia, Pittsburgh, and Baltimore. The Harrisburg, Philadelphia, and Baltimore-Washington (located in Maryland) airports are within driving distance to serve the area.

The County population increased from 422,822 to 470,658 between 1990 and 2000, gaining approximately 47,836 or 11.3% in that period.

Perhaps best known for the strong agricultural base, Lancaster County features a diverse cross-section of enterprises and industry sectors. While a number of those industries are rooted in agriculture, some were

Economic Condition (cont.)

initiated to support the thriving local economy, while others moved here or opened operations in the area to take advantage of the business friendly environment.

Still considered the backbone of the local economy, our manufacturing sector saw modest gains throughout the '90s, with similar growth projected over the next few years. Employing almost 25% of the civilian labor force, Lancaster is home to approximately 1,000 industrial firms including three of the top five employers based on employment levels; R. R. Donnelley & Sons, Armstrong World Industries and High Industries, Inc.

But there's more to Lancaster than a strong manufacturing base. Although there have been some delays due to funding and future cost sharing of the Convention Center, it is expected that by 2008 the Lancaster County Convention Center will be the newest state-of-the-art meeting and convention facility in South Central Pennsylvania.

In addition to this proposed convention center, a recently completed project was the new Clipper Stadium which houses the newly reformed minor league Lancaster Barnstormers baseball team. This stadium has brought added revenues to surrounding businesses boosting the Lancaster economy.

In recent years, the service and trade sectors have been experiencing growth. In fact, the latest statistics based on employment show that the service sector employs 26% of the workforce while retail and wholesale trade employ 25%. Health services, the largest service-producing industry in Lancaster, will continue to add jobs and expand services to meet the demands of a growing population. The county's largest single employer, the Lancaster General Hospital, is a comprehensive healthcare provider. More than 2,700 work at Lancaster General Hospital.

In Columbia in 2004, a building developer, David Doolittle, unveiled plans to build a luxury condominium complex along the Susquehanna River, which will be called "Susquehanna Towers." This project is moving forward with the addition of a Lancaster-based architectural firm as project developer who has now recently completed other projects, opening the way for this construction. A sales center for Susquehanna Towers is expected to open in spring 2007, with construction commencing fall 2007 and opening 18 months after. The total cost for construction is estimated now at \$18 million for 64 units expected to be sold for \$300,000 each. In addition, this developer has had other projects in Columbia – renovations to a former department store into a deli and banquet center scheduled to open December 2006, and an upscale coffee house scheduled to open April 2007.

This developer is continuing to investigate properties in Columbia for renovations and residential and commercial potential. The District expects to reap some additional revenues from an improved tax base as a result.

RECENT LEGISLATION

The Pennsylvania Tax Relief Act of 2006 was signed into law by Governor Ed Rendell on June 27, 2006. This law follows the failed attempts of Act 50 of 1998 and Act 72 of 2004 to address property tax reform. Act 1 changes the timing and methods of school budgeting and how public education are funded. This legislation for property tax relief is merely a shift. It is a shift from a system of using property values to determine taxes to a system that uses income as its base. Property taxes will not be eliminated. When one tax goes down, some other tax must go up.

The key points of Act 1 include an expansion of the property tax and rent rebate program administered by the PA Department of Revenue, a referendum question on the May 2007 primary election ballot authorizing property tax reductions through an increase in earned income tax (EIT) or personal income tax (PIT), backend referenda to approve increases in taxes that are above an inflationary index, and installment payment options for real estate taxes.

Recent Legislation (cont.)

Property Tax reduction

Act 1 requires that a referendum question be placed on the May 2007 ballot. The voters will be asked if they would like to increase the earned income tax or create a personal income tax to be used to reduce property taxes. If approved by the voters, the new tax will go into effect July 1, 2007.

The Act also requires all school districts to appoint a tax study commission. The commission's responsibility is to make a non-binding recommendation to the board of school directors on what the May 2007 referendum question should be. The commission will meet several times from September to December. The commission is required to study these four areas: (1) historic and present rates of and revenue from taxes currently levied, assessed and collected, (2) the percentage of total revenues provided by taxes currently levied, assessed, and collected, (3) The age, income, employment, and property use characteristics of the existing tax base, and (4) projected revenues of taxes currently levied, assessed, and collected, including taxes authorized and taxes not levied.

Gambling Funds

The state will use the gaming revenues to provide further property tax relief to approved homesteads/farmstead properties. Until the gaming revenue fund reaches \$400 million, the state will not make any allocations to school districts for property tax relief. The school board can choose to accept or not to accept the gambling money. If the school board chooses not to accept the gaming funds, they must ask the voters if they would favor accepting the money.

Homestead/Farmstead Applications

For taxpayers to be eligible to see any tax relief from the above provisions, they must send a homestead/farmstead application to the County assessor's office. School districts are required, under Act 1, to mail out applications to all homesteads and farmsteads by December 31 of each year. The mailing can be limited to those properties not currently approved.

Back-end referendum

Starting with the 2007-2008 school year, school districts are not permitted to increase the rate of real estate tax above an inflationary index which is published by the Pennsylvania Department of Education (PDE) by September of each year. If the school district wishes to raise real estate taxes more than the index, the district must submit for exceptions through PDE or the courts or the district may ask the voters for approval to raise taxes more than the index.

Because of the time lines stipulated in Act 1, the district started budgeting in September, 2006 for the 2007-2008 school year. The board will adopt a preliminary budget by January, 2006. This is three to four months earlier than the previous method of budgeting. Due to the increased timeline, the district does not know what funding will be coming from the state at the time of preliminary budget adoption.

The legislation also contains provisions for "exceptions" to the published maximum index increase. These exceptions identify some areas that may be a result of mandates or contracts in place, such as retirement contributions, health insurance, special education costs. If certain data identifies that the District has exceptional costs in some areas, these requests for exception may be approved to allow increases in millage above the index.

Installment payments

Beginning with the 2007-2008 school year, the district must offer the option to pay real estate taxes on an installment basis to those taxpayers who are eligible homestead/farmstead properties. The district can

Recent Legislation (cont.)

offer taxpayers the ability to make no more than six monthly payments and no less than three equal payments. Any eligible taxpayer who wishes to pay their real estate tax on an installment basis will pay the flat amount. The taxpayer will not receive the 2% discount. If the taxpayer is late in paying an installment, a 10% penalty will be added and they are excluded from paying on an installment basis the following year.

The details of Columbia's plan are not available, but initial discussions have focused on the impact to the district's cash flow, which is expected to be minimal. The district is currently working to make the necessary changes to the recordkeeping software, tax bills, and internal processes to handle the installment payments and the Board will make a decision during the spring of 2007 regarding this program.

MAJOR INITIATIVES

The Columbia Borough School District is entering the final year of its Strategic Plan, the district remains on schedule to complete the plan's major goals and initiatives. These goals include aligning the district's curriculum to Pennsylvania Academic Standards, completing its feasibility/construction projects, and maintaining compliance with associated state and federal mandates.

The District's curriculum is being further aligned to the Pennsylvania Academic Standards making the district more of a Standards Based School District. During the 2006-2007 school year, the district will further focus the curriculum alignment and curriculum Mapping Program incorporating the Learning-Focused Schools format and strategies. 4-Sight Assessments and locally development assessments will be used throughout the entire district during specifically scheduled blocks of time to measure student performance levels and used this data to drive instruction to better assist students to move to the level of proficiency in reading and mathematics on the Pennsylvania System of School Assessment (PSSA).

The District's professional staff has been trained in the "Learning Focused Schools" program. That training has been provided by the district and the Lancaster Lebanon Intermediate Unit in this nationally recognized program that emphasizes improving instructional effectiveness and student achievement. The District will continue to train new staff and to require trained staff to implement the instructional tenets of this powerful teaching approach.

The combination of standards based curriculum and staff development that focuses on "best instructional practices" has provided positive results for the district in the 2005-2006 school year as measured by the "No Left Behind" mandate. Both Taylor Elementary School and Park Elementary School earned overall Adequate Yearly Progress status in the areas of student participation, attendance and student achievement at the third and fifth grade level. The Columbia Borough Junior/Senior High School earned Making Progress status for the 2005-2006 school year. The eighth grade made Adequate Yearly Progress in the areas of student participation and student achievement. This would mark the fourth year in a row that the fifth and eighth grade students earned the distinction of making Adequate Yearly Progress as defined by the No Child Left behind mandate. The eleventh grade made Adequate Yearly Progress for student participation, graduate rate and Making Progress in the area of student achievement.

The performance of all schools using the "No Child Left Behind" benchmarks deserves special mention due to the high percentage of at-risk students served by the district. As mentioned previously, both Taylor Elementary and Park Elementary achieved overall Adequate Yearly Progress status for the fourth consecutive year. At Park Elementary 76% of the students tested earned at least a Proficient or Advanced score in math. In Reading 65% of the students tested earned at least a Proficient or Advanced score. At Taylor Elementary 73% of the students tested in math earned at least a proficient or advanced score. On the Reading test, 66% of the students earned at least a Proficient or Advanced score.

Major Initiatives (cont.)

The Columbia Borough Junior/Senior High School is considered as one reporting entity even though a middle school and a high school grade levels are tested. The overall test scores for the 2005-2006 school year improved in both grade levels and the school earned the status of Making Progress. In Math 57% of the eighth grade students earned at least a Proficient or Advanced score. In Reading 66% of the eighth grades students earned at least a Proficient or Advanced score. Only 25% of the eleventh grade students earned at least a Proficient or Advanced score in Math. In Reading 48% of the eleventh grade students earned at least a Proficient or Advanced score. When the grade levels were combined the Junior/Senior High School made AYP for the 2005-2006 school year under the Making Progress status.

The second major initiative identified in the District's Strategic Plan was the completion of the Feasibility Study. During the 2005-2006 school year, the Board completed several construction projects that were recommended in the Feasibility Study. The construction and total renovation projects at both Taylor Elementary School and Park Elementary School are being completed. Both of these building have going through a total renovation phase that has provided a new interior facelift, brought the buildings up to existing code and added air conditioning to the entire facility. The District also completed the renovation of the football stadium which included a new all weather track and new stadium bleachers. During the 2006-2007 school year the district is scheduled to construct a new Garage and Maintenance Building at the high school campus to provide storage for the district vehicles and provide a workshop for the maintenance department. Also the District will be completing a project to connect all the buildings in the district with a fiber network for the speed and connectivity of the district local area computer network which will allow for a greater use of technology in the instructional process.

The Columbia Borough School District is proud of its many accomplishments as it strives to achieve its mission and goals. It also remains committed to achieving future success through careful planning and vision.

ACCOUNTING SYSTEM

Internal Controls

Internal controls within the District are refined each year to provide reasonable, but not absolute, assurance regarding both the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records. Changes in internal controls recognize that the cost of the control should not exceed the benefits likely to be derived. Cost and benefits are discussed with both the Board and the independent auditors, as changes become desirable. We believe the District's internal controls within the accounting system adequately safeguard assets and provide reasonable assurance as to proper recording of financial activity.

Fund Accounting

The District's accounting records are maintained according to the "fund" basis of accounting. Each fund is a separate accounting entity with its own set of self-balancing assets, liabilities and fund equities/retained earnings. The funds encompassing the District's financial affairs are described in the Financial Section.

Budgeting

The District budgets and expends funds following the Public School Code and according to procedures mandated by the Pennsylvania Department of Education.

The District's budgeting is a year-round process. Throughout the year, the budget is controlled by administrators, principals, supervisors and department chairs within program areas, and is reviewed

Accounting System (cont.)

monthly in order to assure funding plans are being implemented properly. Budgetary control is established by function and object within the general fund to monitor expenditures that cannot legally exceed appropriated amounts. The District also maintains an encumbrance accounting system to assist with budgetary controls.

September through December mark the beginning of reviewing future needs and forecasts of student enrollments, capital improvements, and inventory and supply needs which are translated into specific bids as required by the Public School Code.

Responsibility for development of budget requests occurs first at the building or department program area level. Each principal and program administrator reviews these requests during the month of January. These requests are then translated into monetary terms in the form of detailed budgetary schedules that are then reviewed during the months of February and March with supporting justification to the Superintendent.

In March, a preliminary review of the budgeting process is presented to the Board by the Superintendent and the Assistant to the Superintendent for Business Services outlining the general focus of the overall budget related to enrollment projections, staffing projections, capital improvements and financial consideration of the local and state funding sources. The response provided by the Board from this process is used in the final budget development during April and May.

A budget is presented to the community in its proposed form during the months of May and June with final adoption of the budget occurring no later than the June board meeting. The spending plan is closely monitored in the business office after implementation on July 1. The budget is prepared consistent with generally accepted accounting principals.

Financial Policies

The Columbia Borough School District maintains Board Policies that include policies related to finances. Contained in this section is Board Policy 622 – Capitalization which is related to the Governmental Accounting Standards Board Statement 34. This policy outlines how capital assets shall be recorded which subsequently determines information for the District Government-Wide Financial Statements.

CASH MANAGEMENT

To enhance the cash management and earnings potential for District funds, the trust department of the District's depository, Union National Community Bank ("UNCB"), appointed by the Board, actively manages the idle cash of the District in coordination with the Assistant to the Superintendent for Business Services. An annual cash flow forecast is used as the guide for planning the investment strategy with on-going interaction between the Assistant to the Superintendent for Business Services and the bank officials to provide sufficient funds for daily operations.

The Board has also maintained an agreement with UNCB for a working cash investment service, which further invests the active cash by analyzing the cash position daily, and when the District balance exceeds a predetermined sweep threshold, the excess funds are automatically transferred into the designated investment option, while at the same time sweeping money back into the account as cash is required.

The District invests only in financial institutions approved by the Board, which maintain collateral pools as required by State law. State law further requires all District investments to be insured by the federal government or collateralized by federal government securities.

OTHER CONTROLS

Risk Management

The District self-insures some aspects of general property and liability insurance. In addition, the District maintains premium-based excess stop-loss insurance policies for property and liability coverage in adequate amounts for replacement of assets in the event of any extraordinary loss and for protection against legal claims. The District maintains its own comprehensive inventory. Each year additions and deletions are provided to an appraisal firm to update the replacement values for insurance purposes.

Every few years the appraisal firm does a complete appraisal of the District buildings and contents to verify insurance values.

The District participates in the LLIU Insurance Trust Consortium Pool for health benefits for the employees of the District. This program provides two options for employees, a managed care program – administered by Health America, and a Preferred Provider Option - administered by Coresource, Inc. The Pool has established a Healthcare Fund that will be utilized to pay claims of this District for claims in excess of \$60,000 but less than \$150,000. The District has stop-loss insurance for amounts over \$150,000.

The District participates in the Lancaster-Lebanon Public School Workers' Compensation Fund which was established in June 1994 for the purpose of (1) seeking the prevention or lessening of claims due to injuries of employees of the members and (2) pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses, and providing self-insurance and reinsurance thereof.

The workers' compensation policy premium is based on prior years' claim experience. In an effort to control increases for future policy years, the District has an established Safety Committee providing safety information and in-service programs for safety awareness for all employees.

The District maintains student accident insurance for all students participating in interscholastic sports. Parents/guardians have an option to purchase school-time or 24-hour accident insurance for their children at very low premiums directly from this insurance plan.

Independent Audit

The District financial statements are audited annually by a firm of independent certified public accountants that includes a comprehensive annual audit of the District's financial affairs, as required by State Law. The firm of Sager, Swisher and Company, LLP, Columbia, Pennsylvania, has served as District auditor for over 27 years, and was selected to perform the audit for the fiscal year ended June 30, 2006. This audit was performed in accordance with generally accepted auditing standards. The audit report was issued in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. The Single Audit section is part of this reporting package.

The auditor's unqualified opinion rendered on the District's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this Comprehensive Annual Financial Report.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

The Association of School Business Officials International (ASBO) awards a Certificate of Excellence in Financial Reporting to governmental entities whose Comprehensive Annual Financial Report (CAFR) has been judged to meet the standards required of this award. The District has received this award for the CAFR for the years beginning June 30, 1999 through June 30, 2005. We believe this report meets those standards and accordingly intend to submit again for this award.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Columbia Borough School District for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principals and applicable legal requirements.

ACKNOWLEDGMENTS

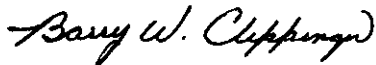
The preparation of this report was possible by the dedicated service of the entire Business Office staff. Sincere appreciation is extended to Sager, Swisher and Company, LLP, for their guidance and direction in the preparation of this report.

Finally, the support and commitment of excellence by the Columbia Borough School District Board of Education, administrators, professional and support staff were vital to the continuing efforts being made to improve our financial management and reporting.

Sincerely,



Laura E. Cowburn, PRSBA
Assistant to the Superintendent
For Business Services/Board Secretary



Barry W. Clippinger, Ed.D.
Superintendent

COLUMBIA BOROUGH SCHOOL DISTRICT

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2006

BOARD OF EDUCATION

President Kathleen L. Hohenadel
Vice-President Thomas R. Strickler
Secretary Laura E. Cowburn *
Member Dale M. Aston
Member David H. Cunningham
Member Jack C. Heitz
Member Cole F. Knighton
Member Donna L. Kreiser
Member Sara A. Linkous
Member Martin F. Moore
* Non-voting

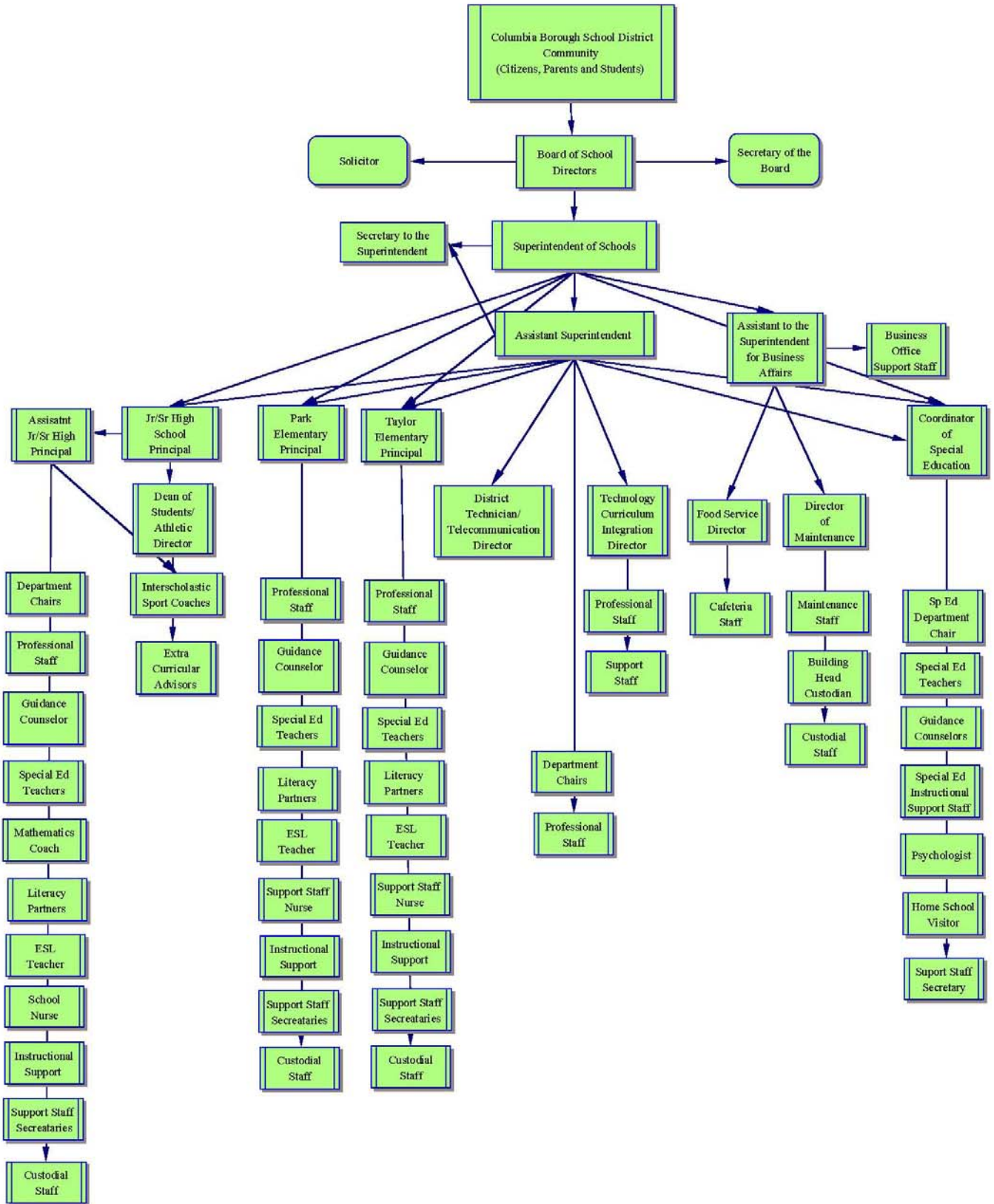
OTHER BOARD SERVICES

Solicitor Nikolaus & Hohenadel
Treasurer Union National Community Bank
Independent Auditors Sager, Swisher and Company, LLP

CENTRAL ADMINISTRATIVE OFFICIALS

Superintendent Barry W. Clippinger, Ed.D.
Assistant Superintendent P. Diane Frey, Ph.D.
Assistant to the Superintendent for Business Services Laura E. Cowburn, PRSBA

COLUMBIA BOROUGH SCHOOL DISTRICT
ORGANIZATION CHART
2006-2007



**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

COLUMBIA BOROUGH SCHOOL DISTRICT

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Interim Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Columbia Borough School
District, Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Judge

President

Jeffrey R. Emer

Executive Director

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Columbia Borough School District
Columbia, PA 17512

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbia Borough School District, as of and for the year ended June 30, 2006, which collectively comprise the school district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Columbia Borough School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbia Borough School District, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages F-3 through F-15 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the school district's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Columbia, Pennsylvania
October 10, 2006

Sager, Swisher and Company LLP

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2006**

The discussion and analysis of Columbia Borough School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The trends of prior years indicated that during the fiscal year 2005-2006, the Columbia Borough School District would experience another year of significant increases in the costs for instruction for special education and self-insured health benefits for our employees. Further, projected increases in the Public School Employees Retirement System (PSERS) employer contribution will continue to cause an additional drain on the financial resources of all schools in Pennsylvania.

The District completed the fiscal year 2005-2006 with assets exceeding liabilities by \$13,869,793, a total overall increase from the prior year of \$1,392,270.

- The governmental activities total assets increased by \$1,396,827 (11.3%) which was due to the addition of construction activities in the District related to the renovations and improvements to Park and Taylor Elementary Schools.
- The District business-type activities, which are comprised of the Food Service fund, showed a small decrease of \$4,557.
- At the end of the current fiscal year, the unreserved undesignated fund balance of the General Fund was \$1,552,719 compared to the prior year of \$1,690,832. The district had budgeted an increased use of fund balance for 2005-2006 for the additional purchase of technology equipment and a replacement of the public address system at the high school and a transfer to the Capital Reserve Fund of \$650,000 for future anticipated construction.
- The Board continues to review the fund balance of the District and pledges to maintain the fund balance to within 5% or as high as the Pennsylvania Department of Education permits (currently 9.5% of the total budgeted expenditures), or in future years will budget to replenish the fund balance, should it be necessary.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

This annual report consists of two distinct series of financial statements: district-wide and fund.

The first two statements (district-wide) are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

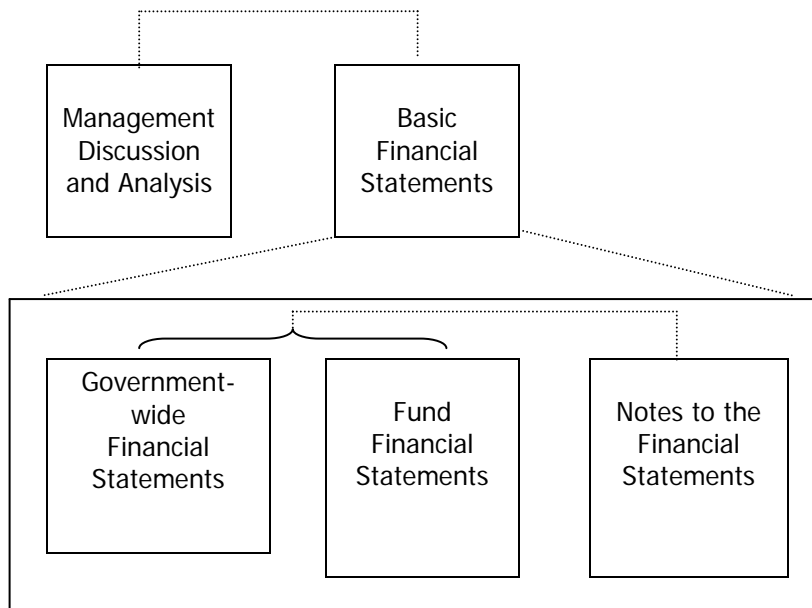
USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) continued

The remaining statements (fund) focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1
Required components of
Columbia Borough School District's
Financial Report



**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) continued

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Columbia Borough School District's
Government-wide and Fund Financial Statements
Fund Statements

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds and Student Activity Funds
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business type activities –The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements, which begin on Page F - 22, provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flow, as shown on Pages F-30 through F-32.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

OVERVIEW OF FINANCIAL STATEMENTS continued

Fiduciary funds – The District is the trustee, or fiduciary, for some scholarship and agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on Page F-31. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$13,869,793 as of June 30, 2006.

Table A-1
Fiscal Year Ended June 30,
Net Assets

	<u>2006</u>			<u>2005</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other Assets	\$9,442,858	\$52,331	\$9,495,189	\$11,643,409	\$56,316	\$11,699,725
Capital assets	<u>26,927,481</u>	<u>41,516</u>	<u>26,968,997</u>	<u>19,864,202</u>	<u>47,896</u>	<u>19,912,098</u>
Total assets	<u>\$36,370,339</u>	<u>\$93,847</u>	<u>\$36,464,186</u>	<u>\$31,507,611</u>	<u>\$104,212</u>	<u>\$31,611,823</u>
Current and other Liabilities	\$3,842,068	\$6,842	\$3,848,910	\$4,867,554	\$12,650	\$4,880,204
Long-term liabilities	<u>18,745,483</u>	<u>0</u>	<u>18,745,483</u>	<u>14,254,096</u>	<u>0</u>	<u>14,254,096</u>
Total Liabilities	<u>22,587,551</u>	<u>\$6,842</u>	<u>22,594,393</u>	<u>19,121,650</u>	<u>\$12,650</u>	<u>19,134,300</u>
Net Assets						
Invested in capital assets, net of related debt	9,312,239	41,516	9,353,755	8,551,297	47,896	8,599,193
Unrestricted	<u>4,470,549</u>	<u>45,489</u>	<u>4,516,038</u>	<u>3,834,664</u>	<u>43,666</u>	<u>3,878,330</u>
Total Net Assets	<u>\$13,782,788</u>	<u>\$87,005</u>	<u>\$13,869,793</u>	<u>\$12,385,961</u>	<u>91,562</u>	<u>\$12,477,523</u>

Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are combined of designated and undesignated amounts. The designated balances are amounts set-aside to fund future purchases or capital projects as planned by the district.

The results of this year's operations as a whole are reported in the Statement of Activities on Page F – 21. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

Table A-2 takes the information from that Statement and rearranges it slightly in an effort to show the reader the district's total revenues for the year.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE continued

Table A-2
Fiscal Year Ended June 30,
Changes in Net Assets

	2006			2005		
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Revenues						
Program Revenues						
Charges for Services	\$103,187	\$300,322	\$403,509	\$49,239	\$300,891	\$350,130
Operating grants and contributions	3,049,447	381,956	3,431,403	3,027,621	342,585	3,370,206
Capital grants and contributions	749,793	--	749,793	384,469	--	384,469
General Revenues						
Property taxes	6,672,370	--	6,672,370	6,111,033	--	6,111,033
Other taxes	913,408	--	913,408	778,936	--	778,936
Grants, Subsidies and contributions, unrestricted	4,679,866	--	4,679,866	4,422,743	--	4,422,743
Special Item, Contribution of Capital Asset	--	--	--	--	--	--
Other	<u>390,206</u>	<u>3,673</u>	<u>393,879</u>	<u>361,296</u>	<u>3,562</u>	<u>364,858</u>
Total revenues	<u>\$16,558,277</u>	<u>\$685,951</u>	<u>\$17,244,228</u>	<u>\$15,135,337</u>	<u>\$647,038</u>	<u>\$15,782,375</u>
Expenses						
Instruction	\$9,756,823	--	\$9,756,823	\$9,339,850	--	\$9,339,850
Instructional student support	1,398,504	--	1,398,504	1,124,404	--	1,124,404
Administrative and financial support	1,323,898	--	1,323,898	1,461,335	--	1,461,335
Operation and maintenance of plant	1,317,998	--	1,317,998	1,234,212	--	1,234,212
Pupil Transportation	152,422	--	152,422	142,253	--	142,253
Student activities	357,208	--	357,208	351,799	--	351,799
Community Services	20,420	--	20,420	18,293	--	18,293
Interest on long-term debt	785,122	--	785,122	609,822	--	609,822
Unallocated depreciation expense	16,918	--	16,918	12,499	--	12,499
Food Services	--	<u>722,645</u>	<u>722,645</u>	--	<u>635,978</u>	<u>635,978</u>
Total expenses	<u>\$15,129,313</u>	<u>\$722,645</u>	<u>\$15,851,958</u>	<u>\$14,294,467</u>	<u>\$635,978</u>	<u>\$14,930,445</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE continued

Table A-2 continued
Fiscal Year Ended June 30,
Changes in Net Assets

	2006			2005		
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Increase (decrease) in net assets	<u>\$1,428,964</u>	<u>\$(36,694)</u>	<u>\$1,392,270</u>	<u>\$840,870</u>	<u>\$11,060</u>	<u>\$851,930</u>
Transfers	<u>(32,137)</u>	<u>32,137</u>	<u>--</u>	<u>(25,000)</u>	<u>25,000</u>	<u>--</u>
Change in net assets	<u>1,396,827</u>	<u>(4,557)</u>	<u>1,392,270</u>	<u>815,870</u>	<u>36,060</u>	<u>851,930</u>
Beginning Net Assets *	<u>12,385,961</u>	<u>91,562</u>	<u>12,477,523</u>	<u>11,570,091</u>	<u>55,502</u>	<u>11,625,593</u>
Ending Net assets	<u>\$13,782,788</u>	<u>\$87,005</u>	<u>\$13,869,793</u>	<u>\$12,385,961</u>	<u>\$91,562</u>	<u>\$12,477,523</u>

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's eight largest functions - instruction, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Fiscal Year Ended June 30,
Governmental Activities

<u>Functions/Programs</u>	<u>2006</u>		<u>2005</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$9,756,823	\$7,044,163	\$9,339,850	\$6,665,595
Instructional student support	1,398,504	1,180,647	1,124,404	925,868
Administrative	1,323,898	1,274,489	1,461,335	1,407,850
Operation and maintenance	1,317,998	1,248,597	1,234,212	1,202,648
Pupil transportation	152,422	127,413	142,253	117,616
Student activities	357,208	288,178	351,799	264,852
Community services	20,420	11,152	18,293	10,857
Interest on long-term debt	785,122	35,329	609,822	225,353
Unallocated depreciation expense	16,918	<u>16,918</u>	<u>12,499</u>	<u>12,499</u>
Total governmental activities	<u>\$15,129,313</u>	<u>11,226,886</u>	<u>\$14,294,467</u>	<u>10,833,138</u>
Less:				
Unrestricted grants, subsidies		<u>4,679,866</u>		<u>4,422,743</u>
Total needs from local Taxes and other revenues		<u>\$6,547,020</u>		<u>\$6,410,935</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE continued

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4
Fiscal Year Ended June 30,
Business-type Activities

<u>Functions/Programs</u>	<u>2006</u>		<u>2005</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	\$722,645	\$40,367	635,978	(\$7,498)
Less:				
Investment earnings		<u>457</u>		<u>219</u>
Total business-type activities		<u>\$39,910</u>		<u>(\$7,717)</u>

The Statement of Revenues, Expenses and Changes in Fund Net Assets for this proprietary fund will further detail the actual results of operations.

THE DISTRICT FUNDS

At June 30, 2006, the District governmental funds reported a combined total fund balance of \$6,433,975, which is a decrease of \$975,749. The primary reason for this decrease is as follows:

Capital Projects Fund:

The District is completing a construction project to renovate a church into an Administration Center, add classrooms to the Park Elementary School, do heating and ventilation renovations in both Park and Taylor Elementary Schools, and renovate the District's athletic field and stadium. The District borrowed the remainder of the funds necessary to complete these projects in the amount of \$6,000,000 at the beginning of July 2005 adding to the available assets of the District. During 2005-2006, construction had been completed reducing the fund balance in this fund to \$2,359,757.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Pages F-28 through F-29.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues increased \$618,256 as a result of additional approved grants.

Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve includes amounts that will be funded by designated fund balance for planned opportunities of expenditures for improvements/enhancements to the District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year-end with a positive addition to fund balance, which exceeds the total of these projected expenditures. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2006, the District had \$26,968,997 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$7,056,899, or 35.7% from last year.

Table A-5 reflects the capital assets of both the governmental activities and the business-type activities of the District.

Table A-5
Governmental and Business-Type Activities
Fiscal Year Ended June 30,
Capital assets - net of depreciation

	<u>2006</u>		<u>2005</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$4,200	--	\$4,200	--
Site Improvements (Net of accumulated depreciation)	1,852,820	--	40,011	--
Building and Building Improvements (Net of accumulated depreciation)	21,413,585	\$--	12,781,686	\$--
Furniture & Equipment (Net of accumulated depreciation)	2,325,233	41,516	1,952,111	47,896
Construction in progress	<u>1,331,643</u>	--	<u>5,086,194</u>	--
Total	\$26,927,481	\$41,516	\$19,864,202	\$47,896

The District acquired a donation of a building, a church, in fiscal year end 2004 which completed renovations during 2005-2006 and is used as the District Administration Center. In addition, the District continued construction at the Park Elementary School to add seven additional classroom spaces as well as other renovations within the building, and began renovations of the Taylor Elementary School. The additional value of this construction, less the depreciation of other assets, resulted in the net increase. More detailed information about our capital assets is included in Note 6 to the financial statements.

DEBT ADMINISTRATION

As of July 1, 2005, the District's governmental activities had total outstanding bond principal of \$15,245,000. This debt consisted of a General Obligation Note, Series of 2001 for \$1,720,000, a General Obligation Bond, Series of 2003 for \$3,540,000, and a General Obligation Bond, Series of 2004 for \$9,985,000.

In July 2005, the District issued General Obligation Bonds for additional debt in the amount of \$6,000,000. This borrowing is being used toward the seven additional classrooms to the Park Elementary School as well as doing heating, ventilation and air-conditioning renovations at both the Park Elementary School and Taylor Elementary School. This current borrowing completes the funding required to complete these projects.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

DEBT ADMINISTRATION continued

During the year, the District made payments against principal of \$1,270,000 resulting in ending outstanding debt as of June 30, 2006 of \$19,975,000:

Table A-6
Outstanding Debt

	2006	2005
General Obligation Notes/Bonds:		
- Bonds, Series of 2005	\$6,000,000	\$0
- Bonds, Series of 2004	9,595,000	\$9,985,000
- Bonds, Series of 2003	3,305,000	\$3,540,000
- Bonds, Series of 2001	<u>1,075,000</u>	<u>\$1,720,000</u>
Total	<u>\$19,975,000</u>	<u>\$15,245,000</u>

The district also made annual lease payments to the Lancaster County Career and Technology Center for its 1998 bonds in the amount of \$21,504. As of June 30, 2006, the balance had been paid. Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's general obligation bond rating is a Moody's A1 enhanced and A3 underlying rating. The A1 enhanced rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. Moody's cited that the A3 rating reflects "the district's stable financial performance, limited tax base and manageable debt position." In addition, the current issues are insured by Financial Surety Assurance, Inc. (FSA) with current financial strength rating of Moody's Aaa.

The District does not expect significant growth in the near future given the residential nature of the local community and a lack of developable land within the District.

The Borough of Columbia has properties included in the State Program – Keystone Opportunity Zones (KOZ). Properties identified in these "zones" receive forgiveness for real property tax and business gross receipts taxes for a period of 13 years. In the year 2000, the Borough had 10 properties listed within these zones. Some properties were already tax exempt, but three of the properties received exemption from school property taxes with a total assessed value of \$105,100 or approximately \$2,000 in lost tax revenue. In April 2004, the Borough added 16 additional properties to this program. The total assessed value of these properties is \$2,853,700 resulting in future loss of tax revenue of \$54,220 for the remaining years of the program to fiscal year 2013-2014. The purpose of this program is to provide incentive for businesses to start up or move in to the community. The District does not believe that this tax loss will have a detrimental effect on the finances. This was taken into consideration in the 2005-2006 budgeting process.

In addition to the KOZ program, in April 2004, the School District agreed to provide tax relief for improvements made to certain deteriorated property within the Local Economic Recovery Tax Abatement Ordinate (LERTA) of the Borough of Columbia. The exemption is limited to the portion of additional assessment attributable to the actual cost of new construction or improvements. This exemption is effective for five years from the date of the improvements, after which time those additional assessments become fully taxable. This does not negatively impact our financial position as it only delays the date we begin collections on those assessments.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES continued

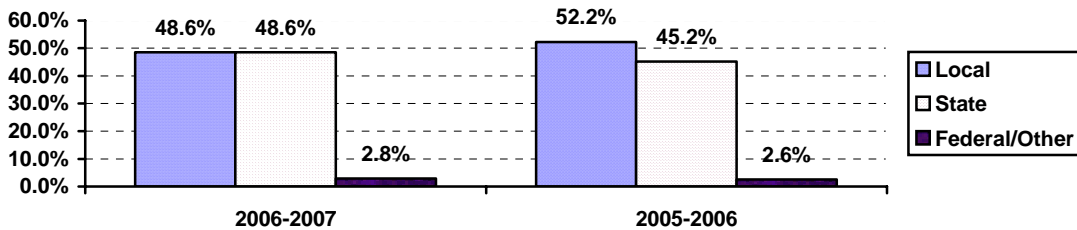
The revenue budget for the 2006-2007 year is \$760,033 more than the original budget for 2005-2006. This represents a 4.9% increase in budgeted revenues. The State budget added a supplement called "foundation funding" to the basic education funding which resulted in a total increase in that revenue item of \$326,871. Columbia has relied on Basic Education Subsidy to reduce the impact of education on the taxpayers. Additionally, Special Education continues to be an ever increasing expense for the District, and this particular budget only increased \$28,623 for the same period. The other major increase of \$196,352 is due to the anticipated reimbursement for Rental and Sinking Fund Payments due to increased debt.

The expenditure budget for the 2006-2007 year is \$733,176 more than the original budget for 2005-2006, or a 4.5% increase. A large part of this increase can be attributed to the expenditures budgeted related to the Rental and Sinking Fund Payments noted above. In addition, two key areas continue to increase at a rate higher than inflation. One is due to a change in the Public School Employees Retirement System (PSERS) employer retirement contribution rate from 4.69% of total eligible payroll to 6.23% of total eligible payroll (24.7% increase). However, due to the new supplemental revenue added to the basic education funding noted above, the district was able to maintain the millage rate of 18.77 (\$1.00 per \$1,000 of assessed value) resulting in no increase for 2006-2007 taxes.

The comparison of revenue and expenditure categories is as follows:

Table A-7

BUDGETED REVENUES		
	2006-2007	2005-2006
Local	48.6%	52.2%
State	48.6%	45.2%
Federal/Other	2.8%	2.6%

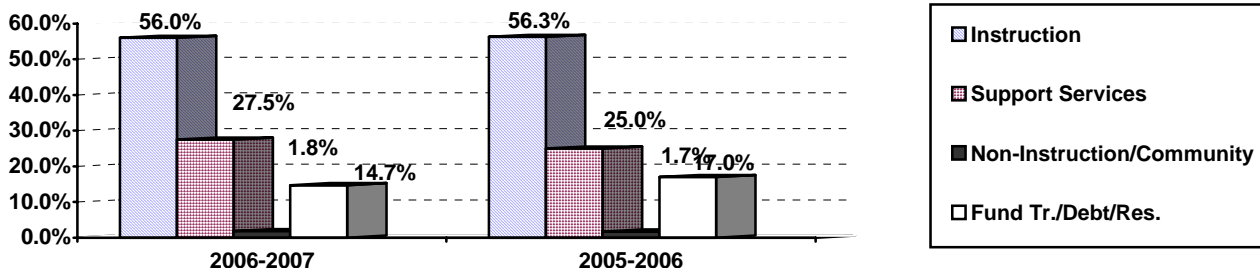


**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES continued

BUDGETED EXPENDITURES

	2006-2007	2005-2006
Instruction	56.0%	56.3%
Support Services	27.5%	25.0%
Non-Instruction/Community	1.8%	1.7%
Fund Transfers/Debt/Reserves	14.7%	17%



FUTURE ECONOMIC FACTORS

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future.

Earlier this summer 2006, the PA state legislature approved a property tax reform bill known as "Act 1." State gaming revenues and possible local earned income or personal income taxes would be used to fund property tax relief for homeowners. Until gaming revenues reach \$500 million, homeowners will not see any tax relief. Once the minimum level is obtained, the State will distribute the money to the school districts and the tax relief will come as an assessment reduction on tax bills as a pass-through by the district. The State estimates that savings related to the new law will range from \$110 to \$275 annually. Additional real estate tax relief may be seen if the borough residents approve a tax shifting referendum in the spring 2007 primary election. The tax shift would impose new personal income tax or earned income tax to replace the revenue used to pay for real estate tax relief. This would shift the source of school district revenues, since the district would get some local revenue through an income tax and in turn reduce the property tax. This may cause a cash flow issue for a year or two until the system is fully implemented.

Another piece of this legislation imposes School budget restrictions. Beginning with the 2007-2008 budget, school districts may not increase the real estate tax rate above an inflationary index percentage as determined by the State with an adjustment provided for less wealthy schools. Columbia's index for 2007-2008 is 4.8% while the base index is 3.4%. School districts that wish to increase millage beyond that percentage to maintain or improve existing programs must either apply for exceptions from the Department of Education or receive voter approval for an increase via a tax increase referendum question during the spring 2007 primary election. If the referendum tax question should fail, the District would be forced to cut or reduce programs from the budget.

There are referendum exceptions built into Act 1 should a district need to raise taxes beyond the new inflationary index cap. The exception categories provide partial relief for increases in the cost of special education, retirement expenses and health care; emergencies and disasters; and some school construction projects. It is anticipated that most school districts will be requesting relief through some of the exceptions.

The Court of Common Pleas will make decisions on some referendum exceptions, but most will require approval from the Department of Education. As a result, the budget timeline for all schools has been accelerated to provide the Department with a preliminary proposed budget by the beginning of February each year along with the proposed exceptions so the Department has time to act upon the requested exceptions.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

FUTURE ECONOMIC FACTORS continued

One other piece of this Act 1 legislation now requires school districts in July 2007 and after to provide the option of taxpayers to pay real estate taxes in installments. Previously this was optional by district. The specifics of Columbia Borough School District's program are not yet available; however, Act 1 requires a minimum of three and maximum of six installments with the last installment paid no later than December. An individual who chooses to pay in installments will pay the flat tax, with no discount offered, in three equal payments. If an installment payment is late, a 10 percent penalty will be added and the individual will not be eligible for the installment option the following year.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Laura E. Cowburn, PRSBA, Assistant to the Superintendent for Business Services/Board Secretary at Columbia Borough School District, 200 North Fifth Street, Columbia, PA 17512, (717) 684-2283.

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**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

JUNE 30, 2006

BASIC FINANCIAL STATEMENTS

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**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,545,656	\$ 21,387	\$ 1,567,043
Investments	6,183,922	5,641	6,189,563
Taxes Receivable, Net	550,444	--	550,444
Internal Balances	(7,801)	7,801	--
Due from Other Governments	743,644	--	743,644
Other Receivables	2,612	2,579	5,191
Inventories	--	14,923	14,923
Prepaid Expenses	<u>19,955</u>	<u>--</u>	<u>19,955</u>
Total Current Assets	<u>9,038,432</u>	<u>52,331</u>	<u>9,090,763</u>
Noncurrent Assets:			
Land	4,200	--	4,200
Site Improvements (Net of Accumulated Depreciation)	1,852,820	--	1,852,820
Building and Building Improvements (Net of Accumulated Depreciation)	21,413,585	--	21,413,585
Furniture and Equipment (Net of Accumulated Depreciation)	2,325,233	41,516	2,366,749
Construction in Progress	1,331,643	--	1,331,643
Bond Issuance Costs (Net of Accumulated Amortization)	193,204	--	193,204
Bond Discount (Net of Accumulated Amortization)	<u>211,222</u>	<u>--</u>	<u>211,222</u>
Total Noncurrent Assets	<u>27,331,907</u>	<u>41,516</u>	<u>27,373,423</u>
TOTAL ASSETS	<u>\$ 36,370,339</u>	<u>\$ 93,847</u>	<u>\$ 36,464,186</u>
LIABILITIES			
Current Liabilities:			
Due to Other Governments	\$ 136,503	\$ --	\$ 136,503
Accounts Payable	992,972	--	992,972
Current Portion of Long-Term Debt	1,535,609	--	1,535,609
Accrued Salaries and Benefits	939,407	1,932	941,339
Payroll Deductions and Withholdings	88,919	--	88,919
Unearned Revenues	44,176	4,910	49,086
Other Current Liabilities	<u>104,482</u>	<u>--</u>	<u>104,482</u>
Total Current Liabilities	<u>3,842,068</u>	<u>6,842</u>	<u>3,848,910</u>
Noncurrent Liabilities:			
Bonds and Notes Payable	18,470,000	--	18,470,000
Long-Term Portion of Compensated Absences	<u>275,483</u>	<u>--</u>	<u>275,483</u>
Total Noncurrent Liabilities	<u>18,745,483</u>	<u>--</u>	<u>18,745,483</u>
TOTAL LIABILITIES	<u>22,587,551</u>	<u>6,842</u>	<u>22,594,393</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	9,312,239	41,516	9,353,755
Unrestricted	<u>4,470,549</u>	<u>45,489</u>	<u>4,516,038</u>
TOTAL NET ASSETS	<u>13,782,788</u>	<u>87,005</u>	<u>13,869,793</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,370,339</u>	<u>\$ 93,847</u>	<u>\$ 36,464,186</u>

The accompanying notes are an integral part of these financial statements.

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**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 9,756,823	\$ 18,722	\$ 2,693,938	\$ --	\$ (7,044,163)	\$ --	\$ (7,044,163)
Instructional Student Support	1,398,504	--	217,857	--	(1,180,647)	--	(1,180,647)
Administrative and Financial Support Services	1,323,898	--	49,409	--	(1,274,489)	--	(1,274,489)
Operation and Maintenance of Plant Services	1,317,998	41,297	28,104	--	(1,248,597)	--	(1,248,597)
Pupil Transportation	152,422	--	25,009	--	(127,413)	--	(127,413)
Student Activities	357,208	43,168	25,862	--	(288,178)	--	(288,178)
Community Services	20,420	--	9,268	--	(11,152)	--	(11,152)
Interest on Long-Term Debt	785,122	--	--	749,793	(35,329)	--	(35,329)
Unallocated Depreciation Expense*	<u>16,918</u>	--	--	--	<u>(16,918)</u>	--	<u>(16,918)</u>
Total Governmental Activities	15,129,313	103,187	3,049,447	749,793	(11,226,886)	--	(11,226,886)
Business-Type Activities:							
Food Services	<u>722,645</u>	<u>300,322</u>	<u>381,956</u>	--	--	<u>(40,367)</u>	<u>(40,367)</u>
Total Primary Government	<u>\$15,851,958</u>	<u>\$ 403,509</u>	<u>\$ 3,431,403</u>	<u>\$ 749,793</u>	(11,226,886)	(40,367)	<u>(11,267,253)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					6,672,370	--	6,672,370
Public Utility Realty, Earned Income and Per Capita Taxes Levied for Specific Purposes, Net					913,408	--	913,408
Grants, Subsidies, and Contributions Not Restricted					4,679,866	--	4,679,866
Investment Earnings					364,681	457	365,138
Miscellaneous Income					<u>25,525</u>	<u>3,216</u>	<u>28,741</u>
Total General Revenues					<u>12,655,850</u>	<u>3,673</u>	<u>12,659,523</u>
Transfers					<u>(32,137)</u>	<u>32,137</u>	<u>--</u>
Change in Net Assets					1,396,827	(4,557)	1,392,270
Net Assets – July 1, 2005					<u>12,385,961</u>	<u>91,562</u>	<u>12,477,523</u>
Net Assets – June 30, 2006					<u>\$13,782,788</u>	<u>\$ 87,005</u>	<u>\$13,869,793</u>

*This amount excludes the depreciation that is included in the direct expenses of the functions presented.

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>Major Funds</u>			<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>		
ASSETS					
Cash and Cash Equivalents	\$ 366,536	\$1,150,596	\$ 27,331	\$ 1,193	\$ 1,545,656
Investments	3,500,000	2,010,304	673,618	--	6,183,922
Taxes Receivable (Net)	550,444	--	--	--	550,444
Due from Other Funds	47,715	--	650,000	7,113	704,828
Due from Other Governments	743,644	--	--	--	743,644
Other Receivables	2,612	--	--	--	2,612
Prepaid Expenditures	19,955	--	--	--	19,955
	<u>\$5,230,906</u>	<u>\$3,160,900</u>	<u>\$1,350,949</u>	<u>\$ 8,306</u>	<u>\$ 9,751,061</u>
TOTAL ASSETS					
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to Other Funds	\$ 665,211	\$ 47,065	\$ --	\$ 650	\$ 712,926
Due to Other Governments	136,503	--	--	--	136,503
Accounts Payable	231,390	754,078	--	7,207	992,675
Accrued Salaries and Benefits	939,407	--	--	--	939,407
Payroll Deductions and Withholdings	88,919	--	--	--	88,919
Deferred Revenues	446,656	--	--	--	446,656
	<u>2,508,086</u>	<u>801,143</u>	<u>--</u>	<u>7,857</u>	<u>3,317,086</u>
TOTAL LIABILITIES					
FUND BALANCES					
Reserve for:					
Prepaid Expenditures	19,955	--	--	--	19,955
Capital Purposes	--	2,359,757	--	--	2,359,757
Athletic Purposes	--	--	--	449	449
Unreserved-Designated	1,150,146	--	653,396	--	1,803,542
Unreserved-Undesignated	1,552,719	--	697,553	--	2,250,272
	<u>2,722,820</u>	<u>2,359,757</u>	<u>1,350,949</u>	<u>449</u>	<u>6,433,975</u>
TOTAL FUND BALANCES					
TOTAL LIABILITIES AND FUND BALANCES					
	<u>\$5,230,906</u>	<u>\$3,160,900</u>	<u>\$1,350,949</u>	<u>\$ 8,306</u>	<u>\$ 9,751,061</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balances – Governmental Funds	\$ 6,433,975
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$35,281,971 , and the accumulated depreciation is \$8,354,490 .	26,927,481
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	402,480
Bond issuance costs and amounts of bond discounts, and similar items are reported in the governmental funds when debt is first issued. The statement of net assets reports these items as assets or liabilities with amortization over the life of the related debt. Bond issuance costs totaled \$254,872 with related accumulated amortization of \$61,668 . Bond discount totaled \$266,209 with accumulated amortization of \$54,987 .	404,426
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds/notes payable (19,975,000)	
Accrued interest on the bonds/notes (104,482)	
Compensated absences <u>(306,092)</u>	<u>(20,385,574)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$13,782,788</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Capital Reserve Fund		
REVENUES					
Local Sources:					
Real Estate Taxes and Penalties	\$6,746,480	\$ --	\$ --	\$ --	\$ 6,746,480
Other Taxes	913,408	--	--	--	913,408
Interest	240,713	97,782	26,141	45	364,681
Revenue from Intermediate Sources	316,021	--	--	--	316,021
Tuition	18,722	--	--	--	18,722
Revenue from Student Activities	17,658	--	--	43,168	60,826
Other Revenue	66,700	--	--	100	66,800
Refund of Prior Year Expenditures	<u>1,802</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,802</u>
Total Local Sources	8,321,504	97,782	26,141	43,313	8,488,740
State Sources	7,579,609	--	--	700	7,580,309
Federal Sources	<u>563,315</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>563,315</u>
TOTAL REVENUES	<u>16,464,428</u>	<u>97,782</u>	<u>26,141</u>	<u>44,013</u>	<u>16,632,364</u>
EXPENDITURES					
Current:					
Instruction	9,239,267	--	--	--	9,239,267
Support Services	4,154,696	514,434	61,182	--	4,730,312
Operation of Noninstructional Services	<u>234,119</u>	<u>31,253</u>	<u>--</u>	<u>133,435</u>	<u>398,807</u>
Total Current	<u>13,628,082</u>	<u>545,687</u>	<u>61,182</u>	<u>133,435</u>	<u>14,368,386</u>
Capital Outlay:					
Facilities Acquisition, Construction and Improvement Services	<u>--</u>	<u>7,063,888</u>	<u>42,605</u>	<u>--</u>	<u>7,106,493</u>
Total Capital Outlay	<u>--</u>	<u>7,063,888</u>	<u>42,605</u>	<u>--</u>	<u>7,106,493</u>
Debt Service:					
Principal	--	--	--	1,270,000	1,270,000
Interest and Fiscal Charges	<u>--</u>	<u>--</u>	<u>--</u>	<u>756,517</u>	<u>756,517</u>
Total Debt Service	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,026,517</u>	<u>2,026,517</u>
Refund of Prior Year's Receipts	<u>14,060</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>14,060</u>
TOTAL EXPENDITURES	<u>13,642,142</u>	<u>7,609,575</u>	<u>103,787</u>	<u>2,159,952</u>	<u>23,515,456</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,822,286</u>	<u>(7,511,793)</u>	<u>(77,646)</u>	<u>(2,115,939)</u>	<u>(6,883,092)</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Capital Reserve Fund		
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ --	\$ --	\$ 650,000	\$2,115,880	\$ 2,765,880
Transfers Out	(2,798,017)	--	--	--	(2,798,017)
Bond Issue Discount	--	(60,545)	--	--	(60,545)
Bond Proceeds	--	6,000,000	--	--	6,000,000
Sale/Compensation for Capital Assets	<u>25</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>25</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,797,992)</u>	<u>5,939,455</u>	<u>650,000</u>	<u>2,115,880</u>	<u>5,907,343</u>
Net Change in Fund Balances	24,294	(1,572,338)	572,354	(59)	(975,749)
Fund Balance – July 1, 2005	<u>2,698,526</u>	<u>3,932,095</u>	<u>778,595</u>	<u>508</u>	<u>7,409,724</u>
Fund Balance – June 30, 2006	<u>\$2,722,820</u>	<u>\$2,359,757</u>	<u>\$1,350,949</u>	<u>\$ 449</u>	<u>\$ 6,433,975</u>

The accompanying notes are an integral part of these financial statements.

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**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Total net change in fund balance – governmental funds \$ (975,749)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period. Depreciation expense \$ (904,767)

Capital outlays	7,990,139	7,085,372
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Because some property taxes will not be collected for several months after the District’s fiscal year ends, they are not considered as “available” revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (74,110)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Repayment of bond principal \$1,270,000. 1,270,000

The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets. (22,092)

Governmental funds report the issuance costs, bond discounts and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Issuance of general obligation bonds	\$(6,000,000)	
Bond issuance costs	60,545	
Bond discount	82,907	
Amortization of bond issuance cost	(19,514)	
Amortization of bond discount	<u>(18,547)</u>	(5,894,609)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Decrease in compensated absences		4,013
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The governmental funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the statement of net assets uses the consumption method of inventory. All inventory was deemed consumed during the year.

OTHER

Net change in accrued interest expense on bonds payable		<u>4,002</u>
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Change in net assets of governmental activities \$ 1,396,827

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Revenues:				
Real Estate Taxes and Penalties	\$ 6,605,066	\$ 6,605,066	\$ 6,746,480	\$ 141,414
Other Taxes	785,020	785,020	913,408	128,388
Interest	60,000	60,000	240,713	180,713
Revenues from Intermediate Sources	209,453	286,263	316,021	29,758
Tuition	22,500	22,500	18,722	(3,778)
Revenue from Student Activities	45,000	45,000	17,658	(27,342)
Other Revenue	26,500	26,500	66,700	40,200
Refund of Prior Year Expenditure	--	--	1,802	1,802
Total Local Sources	7,753,539	7,830,349	8,321,504	491,155
State Program Revenues	7,226,338	7,499,744	7,579,609	79,865
Federal Program Revenues	408,000	676,040	563,315	(112,725)
TOTAL REVENUES	<u>15,387,877</u>	<u>16,006,133</u>	<u>16,464,428</u>	<u>458,295</u>
EXPENDITURES				
Current:				
Regular Programs	5,657,590	5,929,569	5,861,535	68,034
Special Programs	2,232,127	2,306,952	2,302,888	4,064
Vocational Programs	285,500	275,500	275,443	57
Other Instructional Programs	808,797	815,303	798,381	16,922
Community/Junior College Education	--	6,043	1,020	5,023
Support Services:				
Pupil Personnel Services	388,337	502,735	496,029	6,706
Instructional Staff Services	499,301	735,623	722,272	13,351
Administrative Services	949,631	871,815	869,624	2,191
Pupil Health	171,030	214,213	212,805	1,408
Business Services	255,282	247,258	245,871	1,387
Operation and Maintenance of Plant Services	1,247,736	1,202,535	1,185,926	16,609
Student Transportation Services	170,000	153,000	152,422	578
Central and Other Support Services	324,163	272,014	269,747	2,267
Operation of Noninstructional Services:				
Student Activities	263,836	214,757	213,699	1,058
Community Services	16,300	23,438	20,420	3,018
Refund of Prior Year's Receipts	--	14,364	14,060	304
TOTAL EXPENDITURES	<u>13,269,630</u>	<u>13,785,119</u>	<u>13,642,142</u>	<u>142,977</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,118,247</u>	<u>2,221,014</u>	<u>2,822,286</u>	<u>601,272</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers Out	(2,145,250)	(2,798,017)	(2,798,017)	--
Sale/Compensation for Capital Assets	--	--	25	25
Budgetary Reserve	<u>(550,000)</u>	<u> --</u>	<u> --</u>	<u> --</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,695,250)</u>	<u>(2,798,017)</u>	<u>(2,797,922)</u>	<u> 25</u>
Net Change in Fund balances	(577,003)	(577,003)	24,294	601,297
Fund Balance – July 1, 2005	<u>2,698,526</u>	<u>2,698,526</u>	<u>2,698,526</u>	<u> --</u>
Fund Balance – June 30, 2006	<u>\$ 2,121,523</u>	<u>\$ 2,121,523</u>	<u>\$ 2,722,820</u>	<u>\$ 601,297</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006**

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 21,387
Investments	5,641
Due from Other Funds	7,801
Other Receivables	2,579
Inventories	<u>14,923</u>
Total Current Assets	<u>52,331</u>
Noncurrent Assets:	
Machinery and Equipment (Net of Accumulated Depreciation)	<u>41,516</u>
Total Noncurrent Assets	<u>41,516</u>
TOTAL ASSETS	<u><u>\$ 93,847</u></u>
LIABILITIES	
Current Liabilities:	
Accrued Salaries and Benefits	\$ 1,932
Deferred Revenue	<u>4,910</u>
Total Current Liabilities	<u>6,842</u>
TOTAL LIABILITIES	<u>6,842</u>
NET ASSETS	
Investment in Capital Assets	41,516
Unrestricted	<u>45,489</u>
TOTAL NET ASSETS	<u>87,005</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 93,847</u></u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue:	
Lunch Sales	\$ 251,563
Breakfast Sales	6,741
Special Function Revenue	13,069
Contracted Service Revenue	28,949
Miscellaneous Revenue	<u>3,216</u>
TOTAL OPERATING REVENUES	<u>303,538</u>
OPERATING EXPENSES:	
Salaries	237,063
Employee Benefits	67,425
Purchased Professional and Technical Services	4,950
Purchased Property Services	24,641
Other Purchased Services	1,077
Supplies	374,621
Property	5,331
Dues and Fees	1,157
Depreciation	<u>6,380</u>
TOTAL OPERATING EXPENSES	<u>722,645</u>
OPERATING (LOSS)	<u>(419,107)</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings on Investments	457
State Sources	41,871
Federal Sources	<u>340,085</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>382,413</u>
LOSS BEFORE TRANSFERS	(36,694)
TRANSFER IN	<u>32,137</u>
CHANGE IN NET ASSETS	(4,557)
TOTAL NET ASSETS – JULY 1, 2005	<u>91,562</u>
TOTAL NET ASSETS – JUNE 30, 2006	<u>\$ 87,005</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Food Service</u>
Cash Flows from Operating Activities	
Cash Received from Users	\$ 313,186
Cash Payments to Employees for Services	(304,339)
Cash Payments to Suppliers for Goods and Services	(413,500)
Cash Payments for Other Operating Expenses	<u>(1,157)</u>
Net Cash (Used for) Operating Activities	<u>(405,810)</u>
Cash Flows from Noncapital Financing Activities	
State Sources	42,201
Federal Sources	336,605
Transfer In	<u>32,137</u>
Net Cash Provided by Noncapital Financing Activities	<u>410,943</u>
Cash Flows from Capital and Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities	
Earnings on Investments	457
Purchase of Investments	<u>(217)</u>
Net Cash Provided by Investing Activities	<u>240</u>
Net (Decrease) in Cash and Cash Equivalents	5,373
Cash and Cash Equivalents Beginning of Year	<u>16,014</u>
Cash and Cash Equivalents End of Year	<u>\$ 21,387</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:	
Operating (Loss)	<u>\$ (419,107)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	6,380
Decrease in Accounts Receivable	12,978
(Increase) in Inventories	(253)
(Decrease) in Accounts Payable	(1,556)
(Decrease) in Accrued Salaries Benefits	(3,458)
(Decrease) in Deferred Revenue	<u>(794)</u>
Total Adjustments	<u>13,297</u>
Net Cash (Used for) Operating Activities	<u>\$ (405,810)</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	<u>Student Activities</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash and Cash Equivalents	\$ 19,951	\$ 40,578
Investments	5,918	4,472
Due from Other Funds	<u>297</u>	<u>--</u>
TOTAL ASSETS	<u>\$ 26,166</u>	<u>\$ 45,050</u>
LIABILITIES		
Due to Student Groups	<u>\$ 26,166</u>	<u>\$ --</u>
TOTAL LIABILITIES	<u>26,166</u>	<u>--</u>
NET ASSETS		
Held in Trust for Scholarships	<u>--</u>	<u>45,050</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,166</u>	<u>\$ 45,050</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Private Purpose Trust</u>
ADDITIONS	
Earnings on Investments	\$ 956
Contributions	<u>22,752</u>
TOTAL ADDITIONS	<u>23,708</u>
DEDUCTIONS	
Scholarships Awarded	<u>1,062</u>
CHANGE IN NET ASSETS	22,646
NET ASSETS – JULY 1, 2005	<u>22,404</u>
NET ASSETS – JUNE 30, 2006	<u>\$ 45,050</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Columbia Borough School District operates two elementary schools and one Junior/Senior High School in Lancaster County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board form of government.

The financial statements of Columbia Borough School District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Reporting Entity

In evaluating the school as a reporting entity, management has addressed all potential component units which may or may not fall within the school's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the school's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of Columbia Borough School District. The school district is not a component unit of another reporting entity, nor does it have any component units.

The following joint ventures are not component units of Columbia Borough School District, and are not included in this report.

Lancaster County Career and Technology Center (LCCTC) - is a separate legal entity. It was organized by the sixteen public school districts in Lancaster County to provide services in the county. Each of the public school districts appoints one member to serve on the joint operating committee, and each has an ongoing financial responsibility to fund the LCCTC.

Lancaster County Vo-Tech School Authority (Vo-Tech Authority) - is a separate legal entity. The district is also a member of the Vo-Tech Authority. In 1968, the Vo-Tech Authority entered into an agreement with the member school districts and the Vo-Tech Board to acquire land and construct buildings to provide facilities for the operation of the LCCTC. In 1995, the Vo-Tech Authority entered into an additional agreement with the member districts and the Vo-Tech Board to provide for the upgrading and modernization of the facilities utilized by the LCCTC. In 1998, the Vo-Tech Authority entered into an additional agreement with the member districts and the Vo-Tech Board to advance refund the Vo-Tech Authority's 1995 bonds.

Lancaster-Lebanon Intermediate Unit #13 (LLIU) - is a separate legal entity. It was organized by the constituent school districts in Lancaster and Lebanon counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the LLIU. The district contracts with the LLIU for special education services for district students.

Lancaster County Academy (Academy) - is a separate legal entity. It was organized by eleven public school districts in Lancaster County to provide services in the county. Each of the public school districts appoints one member to serve on the joint operating committee. As a member district the school district has an ongoing financial responsibility to fund the operations of the Academy.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Lancaster County Tax Collection Bureau (the Bureau) - is a separate legal entity. The District participates with sixteen other school districts for the collection of earned income taxes. Each public school district appoints one member to serve on the joint operating committee. The Bureau's operating expenditures are deducted from the distributions which are made quarterly. The local municipalities also share the expenditures on the same basis as the school districts. The District's portion of the operating expenditures for the year ended April 30, 2006 was approximately 0.76% of the total Bureau expenditures.

Lancaster-Lebanon Joint Authority (Joint Authority) - is a separate legal entity. The Joint Authority was incorporated on February 14, 1980 under the Municipality Authorities Act of May 2, 1945, P.L. 382, as amended by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Joint Authority for the purpose of acquiring, holding, constructing, improving, maintaining, operating, owning, and/or leasing projects for public school purposes and for purposes of the LLIU. The district did not have any financial transactions with the Joint Authority during the year ended June 30, 2006.

Complete financial statements for each of the entities described above can be obtained from the administrative office of each.

B. Fund Accounting

The accounts of the school district are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

C. Basis of Presentation

Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the school district. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately in the government-wide financial statements from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the school district. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the school district's enterprise fund are food service charges. Operating expenses for the school district's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be in another fund.

The capital projects fund accounts for the financial resources used in the acquisition and construction of major capital facilities.

The capital reserve fund accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

The District operates one enterprise fund, the food service fund. This fund accounts for the activities of the District's food service program.

The District accounts for assets held by the District in a trustee capacity in a private-purpose trust fund. This fund accounts for activities in the various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations.

The District accounts for assets held as an agent for various student activities in an agency fund.

Additionally, the District reports the following nonmajor governmental funds:

The debt service fund accounts for accumulation of resources for, and the payment of long-term debt principal, interest and related costs.

The athletic fund accounts for gate receipts and other revenues from athletic events and all costs of the district's athletic program.

D. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds within the fiduciary fund group have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Budgets and Budgetary Accounting

An operating budget is adopted prior to the beginning of each year for the general fund on a modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The Board of School Directors made several supplemental budgetary appropriations throughout the year which resulted in an increase in the general fund budget in the amount of \$618,256. The entire supplemental budgetary appropriation was a result of program budgets prescribed by federal and state agencies.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting (Continued)

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end are reported in the fund financial statements as reservations of fund balances.

Included in the general fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

F. Encumbrances

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2005, the district did not have any encumbrances.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

H. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

A physical inventory of the cafeteria fund food and supplies was taken as of June 30, 2006. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2006 are reported as deferred revenue.

I. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Site Improvements	15
Furniture	20
Vehicles	10
Equipment	5 to 10
Computer Software	3
Library/Workbooks	15

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years at the rate of 8.33% per year

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and discounts on debt issuances are reported as other financing sources. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as administration expenditures.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Proprietary Fund FASB Usage

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for proprietary activity financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The district has elected not to follow subsequent private-sector guidance.

N. Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

All investments are stated at cost including accrued interest which approximates fair value.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Capital related differences include non-facility related fixed asset purchases are recorded as an expenditure in the functional categories listed under current expenditures in the government fund statements and capitalization and recording of depreciation expense in the statement of activities.

NOTE 3 - DEPOSITS AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation are authorized to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2006, \$764,579 of the District's bank balance of \$2,162,671 was exposed to custodial credit risk as:

Uninsured and collateral held by the pledging bank's trust department not in the District's name	<u>\$ 764,579</u>
	<u>\$ 764,579</u>

Reconciliation to Financial Statements

Uncollateralized amount above	\$ 764,579
Plus: Insured Amount	100,000
Plus: Deposit in Transit	5,120
Less: Outstanding Checks	<u>(434,913)</u>
Carrying Amount – Bank Balances	\$ 434,786
Plus: Petty Cash	1,614
Pooled Cash Equivalents	1,298,093
Less: Outstanding Checks on Pooled Cash Equivalents	<u>(106,921)</u>
Total Cash per Financial Statements	<u>\$ 1,627,572</u>

Investments

As of June 30, 2006, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	6-30 Months	\$ 4,159,743
PA Local Government Investment Trust (PLGIT)		11,559
PA School District Liquid Asset Fund (PSDLAF)		<u>2,028,651</u>
Total		<u>\$ 6,199,953</u>

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Management does monitor rates of returns for investments on a monthly basis.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2006 the District's investment in Susquehanna Bank's certificates of deposit was rated AAA by Moody's, the certificates of deposit invested in Union National Community Bank was not rated, the investments in PA Local Government Investment Trust and PA School District Liquid Fund was rated AAAM by Standard & Poor's.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's policy does not specifically address custodial credit risk, however the District's investments are in accordance with the District's investment plan. The investments of the District are reviewed monthly by the board of directors. As of June 30, 2006, \$4,156,952 of the District's investments of \$6,199,953 was exposed to custodial credit risk as:

Insurance or Registered	\$ 2,791
Uninsured or unregistered held by the counterparty or by its trust department not in the District's name	<u>4,156,952</u>
	<u>\$4,159,743</u>

The balance of \$2,040,210 consist of pooled investments in PLGIT and PSDLAF.

Concentration of Credit Risk – Deposits and Investments

The District's policy does not specifically address concentration of credit risk. Any investment of the District that is not insured is collateralized under Act 72 unless it is part of a pooled investment.

More than 5% of the District's deposits and investments are in Union National Community Bank. Total deposits and investments as of June 30, 2006 was \$8,362,624 of which \$5,021,530 were invested at Union National Community Bank. This represents 60% of the District's deposits and investments. \$3,286,129 was invested in PA School District Liquid Asset Fund, which represents 39% of the District's deposits and investment. \$52,174 and \$2,791 were invested in the PA Local Government Investment Trust and Susquehanna Bank respectively, which represents 1% of the District's deposits and investments.

NOTE 4 - REAL ESTATE AND PER CAPITA TAXES AND DEFERRED REVENUE

Based upon assessments provided by the County, the school district bills and collects its own property taxes. The school district tax rate for the year ended June 30, 2006 was 18.77 mills (\$18.77 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The Board of School Directors also levies per capita taxes based on the census of residents in the school district. The tax rate under Section 679 is \$5/person and under Act 511 is \$10/person. The total per capita tax levied by the district is \$15/person. The School District also levies earned income tax. The earned income tax is ½ of 1% of earned wages. This tax is collected by the county agency and remitted to the School District. In addition, the District collects the emergency services tax, which is \$5 per employee of employers located in the Borough. The Borough collects this tax and remits the District's portion to the District. The schedule for real estate and per capita taxes levied for each fiscal year is as follows:

July 1	- Levy Date
July 1 – August 31	- 2% Discount Period
September 1 – October 31	- Face Payment Period
November 1 – December 31	- 10% Penalty Period
December 31	- Lien Date

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 4 - REAL ESTATE AND PER CAPITA TAXES AND DEFERRED REVENUE (Continued)

The school district, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements.

The balances at June 30, 2006 are as follows:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Estimated to be Collectible</u>	<u>Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Real Estate	\$ 470,052	\$ --	\$ 470,052	\$ 146,146	\$ 323,906
Interims	3,101	--	3,101	--	3,101
Per Capita	<u>234,845</u>	<u>157,554</u>	<u>77,291</u>	<u>1,818</u>	<u>75,473</u>
TOTAL	<u>\$ 707,998</u>	<u>\$ 157,554</u>	<u>\$ 550,444</u>	<u>\$ 147,964</u>	<u>\$ 402,480</u>

The deferred revenue balance in the general fund in the fund financial statements of \$446,656 consists of the following:

Deferred Taxes	\$ 402,480
Federal Grants	9,849
Student Activity Accounts	<u>34,327</u>
TOTAL	<u>\$ 446,656</u>

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the school district. At June 30, 2006, the following amounts are due from other governmental units:

	<u>General Fund</u>
Federal (through the state)	\$ 113,812
State	365,155
Local	<u>264,677</u>
	<u>\$ 743,644</u>

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 4,200	\$ --	\$ --	\$ 4,200
Construction in Progress	5,086,194	1,167,043	4,921,594	1,331,643
Building	<u>1,000,000</u>	<u>--</u>	<u>1,000,000</u>	<u>--</u>
Total Capital Assets Not Being Depreciated	<u>6,090,394</u>	<u>1,167,043</u>	<u>5,921,594</u>	<u>1,335,843</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - CHANGES IN CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Site Improvements	1,151,241	1,911,882	360,122	2,703,001
Buildings	18,510,546	10,148,492	2,010,270	26,648,768
Composite Groups	2,739,507	298,780	319,639	2,718,648
Furniture and Fixtures	573,715	334,065	--	907,780
Library Books	415,561	10,404	--	425,965
Vehicles	264,483	--	--	264,483
Equipment	<u>257,918</u>	<u>41,066</u>	<u>21,501</u>	<u>277,483</u>
Total Assets Being Depreciated	<u>23,912,971</u>	<u>12,744,689</u>	<u>2,711,532</u>	<u>33,946,128</u>
Less Accumulated Depreciation For:				
Site Improvements	1,111,230	93,510	354,559	850,181
Buildings	6,728,860	506,694	2,000,371	5,235,183
Composite Groups	1,379,290	198,088	319,639	1,257,739
Furniture and Fixtures	435,135	45,874	--	481,009
Library Books	177,756	27,877	--	205,633
Vehicles	162,055	14,950	--	177,005
Equipment	<u>144,837</u>	<u>17,774</u>	<u>14,871</u>	<u>147,740</u>
Total Accumulated Depreciation	<u>10,139,163</u>	<u>904,767</u>	<u>2,689,440</u>	<u>8,354,490</u>
Total Capital Assets, Being Depreciated, Net	<u>13,773,808</u>	<u>11,839,922</u>	<u>22,092</u>	<u>25,591,638</u>
Governmental Activities, Capital Assets, Net	<u>\$19,864,202</u>	<u>\$13,006,965</u>	<u>\$ 5,943,686</u>	<u>\$26,927,481</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Equipment	<u>\$ 120,941</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 120,941</u>
Total Capital Assets, Being Depreciated	<u>120,941</u>	<u>--</u>	<u>--</u>	<u>120,941</u>
Less Accumulated Depreciation For:				
Equipment	<u>73,045</u>	<u>6,380</u>	<u>--</u>	<u>79,425</u>
Total Accumulated Depreciation	<u>73,045</u>	<u>6,380</u>	<u>--</u>	<u>79,425</u>
Total Capital Assets Being Depreciated, Net	<u>47,896</u>	<u>(6,380)</u>	<u>--</u>	<u>41,516</u>
Business-Type Activities Capital Assets, Net	<u>\$ 47,896</u>	<u>\$ (6,380)</u>	<u>\$ --</u>	<u>\$ 41,516</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - CHANGES IN CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:		
Instruction:		
Regular	\$	501,074
Special		196,863
Support Services:		
Pupil Personnel		6,937
Instructional Staff		6,937
Administration		29,405
Pupil Health		6,936
Operation and Maintenance of Plant		121,601
Operation of Noninstructional Services:		
Student Activities		18,095
Unallocated Depreciation Expense		<u>16,919</u>
Total Depreciation Expense – Governmental Activities	<u>\$</u>	<u>904,767</u>
 Business-Type Activities		
Cafeteria	<u>\$</u>	<u>6,380</u>
Total Depreciation expense – Business-Type Activities	<u>\$</u>	<u>6,380</u>

A gain on the sale of assets in the amount of \$25 is reflected in the statement of activities as miscellaneous income.

NOTE 7 - LONG-TERM DEBT

During the fiscal year ended June 30, 2006, long-term debt changed as follows:

	<u>Bonds/Notes Payable</u>	<u>Compensated Absences</u>	<u>Total Long-Term Debt</u>
Beginning of Year	\$15,245,000	\$310,107	\$15,555,107
Additional Borrowings	6,000,000	--	6,000,000
Principal Retirement	(1,270,000)	--	(1,270,000)
Increase in Compensated Absences	--	15,065	15,065
Pay-Outs of Compensated Absences	<u>--</u>	<u>(19,080)</u>	<u>(19,080)</u>
End of Year	<u>\$19,975,000</u>	<u>\$306,092</u>	<u>\$20,281,092</u>
Current Portion	1,505,000	30,609	1,535,609

The payments of long-term debt are to be funded by the general fund and debt service fund.

The school district does not currently have any long-term liabilities for business-type activities.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 7 - LONG-TERM DEBT (Continued)

The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences, as of June 30, 2006, including total interest payments are as follows:

<u>Year Ended June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 746,160	\$ 1,505,000	\$ 2,251,160
2008	703,146	1,410,000	2,113,146
2009	664,730	1,255,000	1,919,730
2010	627,690	1,295,000	1,922,690
2011	586,548	1,335,000	1,921,548
2012-2016	2,344,326	4,410,000	6,754,326
2017-2021	1,534,625	4,570,000	6,104,625
2022-2026	<u>480,771</u>	<u>4,195,000</u>	<u>4,675,771</u>
TOTAL	<u>\$7,687,996</u>	<u>\$ 19,975,000</u>	<u>\$ 27,662,996</u>

General Obligation Bonds, Series of 2001

On September 15, 2001, the school district issued general obligation bonds in the amount of \$3,810,000. The purpose of the bonds is to (1) currently refund the school district's outstanding General Obligation Bonds, Series A of 1996 and (2) pay the costs of issuing the bonds. The bonds bear interest rates ranging from 2.50% to 3.85% with principal maturities from March 2002 through March 2008. The balance outstanding as of June 30, 2006 was \$1,075,000.

General Obligation Bonds, Series of 2003

On November 21, 2002, the Board of School Directors adopted a resolution to incur non-electoral debt evidenced by General Obligation Bonds, Series of 2003 dated January 1, 2003 in the amount of \$4,160,000. The purpose of the bonds is (1) to advance refund the general obligation notes, series of 1998 and (2) to pay the costs of issuing and insuring the bonds. The bonds bear interest rates ranging from 2.0% to 3.7% with principal maturities from February 2003 through February 2012. The balance outstanding as of June 30, 2006 was \$3,305,000.

General Obligation Bonds, Series of 2004

On May 15, 2004, the school district issued general obligation bonds in the amount of \$9,995,000. The purpose of the bonds is to (1) finance renovations, additions and alterations to existing school facilities, the administrative building project and other miscellaneous capital expenditures, and (2) pay the cost of issuing the bonds. The bonds bear interest rates ranging from 1.30% to 4.65% with principal maturities from June 2005 through June 2024. The balance outstanding as of June 30, 2006 was \$9,595,000.

General Obligation Bonds, Series of 2005

On July 1, 2005, the school district issued general obligation bonds in the amount of \$6,000,000. The purpose of the bonds is to (1) finance renovations, additions and alterations to existing school facilities and other miscellaneous capital expenditures, and (2) pay the cost of issuing the bonds. The bonds bear interest rates ranging from 2.70% to 4.45% with principal maturities from June 2007 through June 2026. The balance outstanding as of June 30, 2006 was \$6,000,000.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 7 - LONG-TERM DEBT (Continued)

Compensated Absences

Vacation – The school district administrators and support staff are granted vacation in varying amounts, based on individual contracts and on length of service. Administrators with accumulated vacation days in excess of thirty days and who are unable to take vacation, the number of vacation days over thirty is transferred to sick leave. Support staff must utilize vacation days earned during a school year by June 30th of the following school year or be forfeited.

Sick Leave – The school district allows all employees to accumulate their unused sick leave as specified in negotiated labor contracts, employee handbooks or individual employment handbooks. Sick leave use is based on a last-in first-out (LIFO) basis. Sick leave provisions for each employee group are:

<u>Group</u>	<u>Days per Year</u>	<u>Accumulation</u>	<u>Lump Sum Payout</u>
Administrators	Per Contract	Unlimited	Per Contract
Teachers and Other Licensed Professionals	10	Unlimited	Per Negotiated Labor Contract
Secretary/Clerical Staff	10	Unlimited	\$20/Day Times a
Maintenance and Custodians	10	Unlimited	Maximum 200 Days.
Cafeteria Personnel	10	Unlimited	Must be 55 Years of
Aides	10	Unlimited	Age with 10 Years Employment with the District

Accumulated compensated absences for teachers and other licensed professionals are estimated by management based on the following assumptions:

- Persons over age 50 with 10 or more years of service with the District will become retirees of the district
- Persons over age 50 with less than 10 years of service with the District or persons under age 50 with more than 10 years of service with the District are 50% likely to be retirees of the District

Salary-related payments associated with the payment of compensated absences are included in the total liability accrual for compensated absences.

NOTE 8 - SELF INSURANCE – HEALTH BENEFITS

The school district is participating in the insurance consortium with the Lancaster-Lebanon Intermediate Unit No. 13 to provide for the medical care for eligible employees and their dependents. The intermediate unit, which administers the plan, monitors the school's deposits into the school district trust account to be held for the benefits described above and Healthguard, the HMO plan administrator, processes and pays the claims. The school district was limited in liability to \$60,000 per individual claim and the pool was limited in liability to \$150,000 per individual claim. The school district was limited in liability to \$1,765,927 in total per year by purchasing specific and aggregate stop-loss insurance coverage. Management has designated \$600,000 of its fund balance at June 30, 2006 for the future payment of claims. The district has recorded a liability for claims incurred prior to June 30, 2006 and paid subsequently in the amount of \$161,866, which is shown net of amounts held in trust at June 30, 2006 in the amount of \$5,679. The claim liability is reflected in accounts payable in the general fund.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 8 - SELF INSURANCE - HEALTH BENEFITS (Continued)

CHANGE IN AGGREGATE CLAIM LIABILITIES - HEALTH BENEFITS

<u>Year Ended June 30,</u>	<u>2006</u>	<u>2005</u>
Claim Liability – Beginning of Year	\$ 247,759	\$ 189,228
Current Year Claims and Changes in Estimates	1,036,596	1,102,038
Claim Payments by School District	<u>(1,122,489)</u>	<u>(1,043,507)</u>
Claim Liability – End of Year	<u>\$ 161,866</u>	<u>\$ 247,759</u>

NOTE 9 - PENSION PLAN

Plan Description

School districts in the Commonwealth of Pennsylvania participate in the Public School Employees' Retirement System (the System), a governmental cost sharing multiple-employer defined benefit plan. The System provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. Authority is established by the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended)(24 Pa. C.S. 8101-8535).

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Barbara D. Flurie, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. The report is also available on the PSERS web-site on the Internet at www.psers.state.pa.us./publications/cafr/index.htm.

Contributions and Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Active members who joined the System prior to July 22, 1983 contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. For members joining the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, the contribution rate is 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2006, the rate of employer's contribution was 4.69 percent of covered payroll. The 4.69 percent rate is composed of a pension contribution rate of 4.00 percent for pension benefits and .69 percent for healthcare insurance premium assistance.

Columbia Borough School District's contributions to the System for the years ending June 30, 2006, 2005, and 2004 were \$345,093, \$297,752 and, \$255,060, respectively, equal to the required contributions for each year.

NOTE 10 - OPERATING LEASES

On January 4, 1995, each of the sixteen public school districts in the county signed lease rental agreements with the Lancaster County Vo-Tech Authority (the "Authority"). The Authority issued \$18,000,000 of bonds that year and each district agreed to make payments of their pro-rated share of the Authority's debt service. Each district's prorated shares are calculated annually based on assessed market value.

On October 1, 1998 the Authority issued guaranteed lease revenue bonds in the amount of \$17,725,000 in order to advance refund the 1995 bonds and to pay the cost of the new bond issuance. The bonds bear interest rates ranging from 3.65% to 5.25%.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 10 - OPERATING LEASES (Continued)

During the years ended June 30, 2006 and 2005 the district paid \$23,950 and \$25,174 respectively in operating lease payments for its pro-rated share of the Authority's debt service.

The future annual lease payments for the district's pro-rated share are as follows:

<u>Year Ended June 30,</u>	
2007	\$ 23,987
2008	23,978
2009	23,994
2010	<u>24,006</u>
	<u>\$ 95,965</u>

NOTE 11 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Board of School Directors adopted a policy to permit any professional employee who retires at age 50 or later to continue group insurance coverage to age 65 by remitting the monthly premium to the school district. To be eligible an employee must have been employed ten or more years with participation in the Public School Employees' Retirement System and five years of service in the Columbia Borough School District. Coverage is limited to dependents that were included one year prior to the employee's retirement. All group insurance coverage terminates upon either eligibility for Medicare, nonreceipt of premium within 30 days of the due date, or insurance coverage by another employer. Coverage does not include life insurance or dental insurance. The retiree's cost of group insurance is calculated by the plan administrator and is based on projected expenditures for the year. The retiree's premium for the group insurance is payable in advance on a monthly basis. The school district has elected to finance post employment benefits on a pay-as-you go basis. The school district recognizes expenditures for post employment group insurance when claims are filed with the plan administrator. The District is responsible for all claims in excess of the premiums received by the qualified retirees. The District is limited in liability in accordance with the Lancaster-Lebanon Intermediate Unit No. 13 insurance consortium as stated in Note 8. Currently, there are eight participants receiving benefits. The total claims paid on behalf of these participants and premiums paid by the participants to the school district, for the year ended June 30, 2006, were \$63,074 and \$41,183, respectively.

NOTE 12 - CONTINGENT LIABILITIES

Grant Programs

The school district participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

Several claims are asserted against the school district. The outcome of these claims is not presently determinable.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 13 - PARTICIPATION IN RISK SHARING POOL

The District has elected to become a member of a self-insurance pool for worker's compensation insurance with the Lancaster-Lebanon Intermediate Unit No. 13, Lancaster County Academy and thirteen other school districts and local education agencies. The district entered into an agreement which states that the district pays an annual premium to the fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and to pool worker's compensation and occupational disease insurance risks, reserves, claims and losses and to provide self-insurance and re-insurance thereof. Each member is assessed an amount based on their covered payroll and prior experience of worker's compensation claims. All claims are then paid from the pool with reinsurance being purchased by the pool for claims in excess of \$350,000 per occurrence. Claims are paid on an aggregate basis, and separate accounts for each member are not maintained. If there is a deficiency in the pooled funds, each member is assessed an amount equal to their proportional share as described above.

As of June 30, 2006 the school district is not aware of any additional assessments relating to the fund.

NOTE 14 - DUE TO/FROM OTHER FUNDS AND TRANSFERS

Interfund receivable and payable balances as of June 30, 2006 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 47,715	\$ 665,211
Capital Projects Fund	--	47,065
Capital Reserve Fund	650,000	--
Enterprise Fund	7,801	--
Agency Fund	297	--
Nonmajor Funds	<u>7,113</u>	<u>650</u>
	<u>\$ 712,926</u>	<u>\$ 712,926</u>

Interfund balances consist of payroll expenditures paid from the general fund in June 2006, not reimbursed by the individual funds until July 2006. Interfund balances also consist of a transfer to capital reserve fund to be used for future capital purchases not transferred until July 2006. Interfund balances also consist of amounts due to debt service fund to pay interest on 2005 bonds. Amounts due to the agency fund represent supplies paid for by the agency fund to be reimbursed by the general fund.

Interfund Transfers:

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 2,798,017	\$ --
Capital Reserve Fund	--	650,000
Enterprise Fund	--	32,137
Non-Major Governmental Funds	<u>--</u>	<u>2,115,880</u>
	<u>\$ 2,798,017</u>	<u>\$ 2,798,017</u>

The district typically transfers a budgeted dollar amount from the general fund to the athletic fund to assist the athletic fund in providing for the various sporting events and activities throughout the year. The amount of the transfer was \$89,363. Also, the district typically pays a majority of its debt service out of the debt service fund, therefore, the general fund transfers enough dollars each year to pay the annual debt service. The amount transferred was \$2,026,517. The general fund also made a transfer of \$32,137 to the enterprise fund during the year to provide assistance with cost of operating the food service fund. The district also transferred \$650,000 to the capital reserve fund to set money aside for future capital purchases.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 15 - FUND BALANCE/NET ASSETS

Unreserved - Designated Fund Balance

The fund balance designations in the general fund totaling \$1,150,146 represents \$600,000 set aside for future payment of medical insurance claims and \$550,146 reserved for expenditures budgeted for 2006-2007 in excess of anticipated revenues.

The fund balance designation in the capital reserve fund totaling \$653,396 represents funds for the Park Elementary School Ventilation project.

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2006 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 17 - COMMITMENT

As of June 30, 2006, the District is involved in various capital projects. The District had the following commitments as of June 30, 2006:

<u>Project</u>	<u>Contract Amounts</u>	<u>Amount Paid-to-Date</u>	<u>Commitments Outstanding</u>
Taylor Elementary School	\$ 2,364,686	\$ 2,155,939	\$ 208,747
Park Elementary School	3,054,860	2,802,009	252,851
High School Stadium	<u>550,267</u>	<u>467,358</u>	<u>82,909</u>
	<u>\$ 5,969,813</u>	<u>\$ 5,425,306</u>	<u>\$ 544,507</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

JUNE 30, 2006

COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES

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COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA

COMBINING STATEMENTS – NONMAJOR FUNDS
JUNE 30, 2006

Nonmajor Special Revenue Fund

Athletic Fund This fund accounts for gate receipts and other revenues from athletic events and all costs of the district's athletic program.

Nonmajor Debt Service Fund

Debt Service Fund This fund accounts for the accumulation of resources for, and the payment of debt principal, interest and related costs.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**COMBINING BALANCE SHEET –
ALL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue Fund Athletic Fund	Debt Service Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,193	\$ --	\$ 1,193
Due from Other Funds	<u> --</u>	<u> 7,113</u>	<u> 7,113</u>
TOTAL ASSETS	<u><u>\$ 1,193</u></u>	<u><u>\$ 7,113</u></u>	<u><u>\$ 8,306</u></u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to Other Funds	\$ 94	\$ 7,113	\$ 7,207
Accounts Payable	<u> 650</u>	<u> --</u>	<u> 650</u>
TOTAL LIABILITIES	<u> 744</u>	<u> 7,113</u>	<u> 7,857</u>
 FUND BALANCE			
Reserve for:			
Athletic Purposes	<u> 449</u>	<u> --</u>	<u> 449</u>
TOTAL FUND BALANCE	<u> 449</u>	<u> --</u>	<u> 449</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,193</u></u>	<u><u>\$ 7,113</u></u>	<u><u>\$ 8,306</u></u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – ALL NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Special Revenue Fund Athletic Fund	Debt Service Fund	Total
REVENUES			
Local Sources:			
Interest	\$ 45	\$ --	\$ 45
Revenues from Student Activities	43,168	--	43,168
Contributions and Donations from Private Sources	100	--	100
Total Local Sources	43,313	--	43,313
State Sources	700	--	700
TOTAL REVENUES	44,013	--	44,013
EXPENDITURES			
Current:			
Operation of Noninstructional Services	133,435	--	133,435
Total Current	133,435	--	133,435
Debt Service:			
Principal	--	1,270,000	1,270,000
Interest and Fiscal Charges	--	756,517	756,517
Total Debt Service	--	2,026,517	2,026,517
TOTAL EXPENDITURES	133,435	2,026,517	2,159,952
REVENUES OVER (UNDER) EXPENDITURES	(89,422)	(2,026,517)	(2,115,939)
OTHER FINANCING SOURCES (USES)			
Interfund Transfers	89,363	2,026,517	2,115,880
TOTAL OTHER FINANCING SOURCES (USES)	89,363	2,026,517	2,115,880
NET CHANGE IN FUND BALANCE	(59)	--	(59)
FUND BALANCE – JULY 1, 2005	508	--	508
FUND BALANCE – JUNE 30, 2006	\$ 449	\$ --	\$ 449

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**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**INDIVIDUAL FUND SCHEDULES OF REVENUE AND OTHER
FINANCING SOURCES COMPARED WITH BUDGET – GENERAL
FUND AND EXPENDITURES AND OTHER FINANCIAL USES
COMPARED WITH BUDGET – GENERAL FUND
JUNE 30, 2006**

The General Fund is used to account for most of the current operating revenues and expenditures including certain capital outlays and certain debt service expenditures. All tax revenues and other receipts and expenditures not specified by law or contractual agreement to another fund type are accounted for in the General Fund. This includes revenues and expenditures for federal programs.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
COMPARED WITH BUDGET – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Transfers Increase (Decrease)</u>	<u>Final Revised Budget</u>	<u>Revenue</u>	<u>Variance Positive (Negative)</u>
REVENUE FROM LOCAL SOURCES					
Current Real Estate Taxes	\$ 6,181,066	\$ --	\$ 6,181,066	\$ 6,072,328	\$(108,738)
Interim Real Estate Taxes	10,000	--	10,000	12,760	2,760
Public Utility Realty Tax	9,000	--	9,000	10,793	1,793
Payments in Lieu of Current Taxes	11,520	--	11,520	11,000	(520)
Current Per Capita Taxes – Sec. 679	26,500	--	26,500	21,044	(5,456)
Current Per Capita Taxes – Act 511	68,000	--	68,000	42,089	(25,911)
Emergency Municipal Services Tax	--	--	--	9,494	9,494
Current Earned Income Taxes	670,000	--	670,000	818,988	148,988
Delinquent Taxes	414,000	--	414,000	661,392	247,392
Interest on Investments	60,000	--	60,000	240,713	180,713
Revenue from Intermediate Sources –					
Federal Funds	209,453	76,810	286,263	316,021	29,758
Rentals	11,000	--	11,000	41,297	30,297
Contributions and Donations from					
Private Sources	2,500	--	2,500	5,340	2,840
Tuition from Patrons	22,500	--	22,500	18,722	(3,778)
Student Activity Income	45,000	--	45,000	17,658	(27,342)
Miscellaneous Revenue	13,000	--	13,000	20,063	7,063
Refund of Prior Year Expenditures	--	--	--	1,802	1,802
	<u>7,753,539</u>	<u>76,810</u>	<u>7,830,349</u>	<u>8,321,504</u>	<u>491,155</u>
REVENUE FROM STATE SOURCES					
Basic Instructional Subsidy	4,615,335	--	4,615,335	4,640,570	25,235
Charter Schools – Nonpublic	26,103	--	26,103	39,296	13,193
Tuition for Orphans and Children -					
Placed in Private Homes	65,000	--	65,000	104,871	39,871
School Improvement	--	9,500	9,500	9,500	--
Homebound Instruction	500	--	500	1,780	1,280
Vocational Education	--	--	--	4	4
Alternative Education	--	12,012	12,012	12,012	--
Migratory Children	--	--	--	160	160
Special Education of Exceptional Pupils	1,093,531	--	1,093,531	1,110,514	16,983
Education Assistance Program	190,584	(22,380)	168,204	128,182	(40,022)
Transportation	13,000	--	13,000	12,040	(960)
Rentals	521,986	--	521,986	749,793	227,807
Medical, Dental and Nurse Services	33,000	--	33,000	31,750	(1,250)
Extra Grants	254,416	274,274	528,690	257,252	(271,438)
Revenue for Social Security Payments	266,073	--	266,073	297,933	31,860
Revenue for Retirement Payments	146,810	--	146,810	183,952	37,142
	<u>7,226,338</u>	<u>273,406</u>	<u>7,499,744</u>	<u>7,579,609</u>	<u>79,865</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
COMPARED WITH BUDGET – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Transfers Increase (Decrease)</u>	<u>Final Revised Budget</u>	<u>Revenue</u>	<u>Variance Positive (Negative)</u>
REVENUE FROM FEDERAL SOURCES					
Education of Disadvantaged Children, ESEA, Title I	400,000	149,631	549,631	461,617	(88,014)
Title II	--	101,887	101,887	81,953	(19,934)
Title V – Innovative Education	--	5,220	5,220	6,374	1,154
Safe and Drug Free Schools	--	11,302	11,302	13,371	2,069
Other Restricted Federal Grants in Aid through the Commonwealth	<u>8,000</u>	<u>--</u>	<u>8,000</u>	<u>--</u>	<u>(8,000)</u>
TOTAL REVENUE FROM FEDERAL SOURCES	<u>408,000</u>	<u>268,040</u>	<u>676,040</u>	<u>563,315</u>	<u>(112,725)</u>
TOTAL REVENUES	<u>15,387,877</u>	<u>618,256</u>	<u>16,006,133</u>	<u>16,464,428</u>	<u>458,295</u>
OTHER FINANCING SOURCES					
Sale or Compensation for Loss of Capital Assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>25</u>	<u>25</u>
TOTAL OTHER FINANCING- SOURCES	<u>--</u>	<u>--</u>	<u>--</u>	<u>25</u>	<u>25</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 15,387,877</u>	<u>\$ 618,256</u>	<u>\$ 16,006,133</u>	<u>\$ 16,465,453</u>	<u>\$ 458,320</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
COMPARED WITH BUDGET – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Transfers Increase (Decrease)</u>	<u>Final Revised Budget</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES					
INSTRUCTION					
REGULAR PROGRAMS					
Salaries	\$ 4,012,379	\$ 55,381	\$ 4,067,760	\$ 4,048,075	\$ 19,685
Employee Benefits	1,120,631	98,048	1,218,679	1,212,400	6,279
Purchased Professional and Technical Services	160,000	55,867	215,867	197,563	18,304
Purchased Property Services	53,265	(28,063)	25,202	24,682	520
Other Purchased Services	81,700	31,850	113,550	109,840	3,710
Supplies	193,325	31,310	224,635	205,658	18,977
Property	35,580	27,201	62,781	62,257	524
Other Objects	<u>710</u>	<u>385</u>	<u>1,095</u>	<u>1,060</u>	<u>35</u>
TOTAL REGULAR PROGRAMS	<u>5,657,590</u>	<u>271,979</u>	<u>5,929,569</u>	<u>5,861,535</u>	<u>68,034</u>
SPECIAL PROGRAMS					
Salaries	683,600	11,962	695,562	695,562	--
Employee Benefits	197,154	17,429	214,583	214,580	3
Purchased Professional and Technical Services	1,221,244	46,117	1,267,361	1,263,959	3,402
Purchased Property Services	27,000	(4,700)	22,300	22,244	56
Other Purchased Services	70,000	24,000	94,000	93,453	547
Supplies	25,129	(13,551)	11,578	1,522	56
Property	8,000	(6,482)	1,518	1,518	--
Other Objects	<u>--</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>--</u>
TOTAL SPECIAL PROGRAMS	<u>2,232,127</u>	<u>74,825</u>	<u>2,306,952</u>	<u>2,302,888</u>	<u>4,064</u>
VOCATIONAL EDUCATION PROGRAMS					
Other Purchased Services	<u>285,500</u>	<u>(10,000)</u>	<u>275,500</u>	<u>275,443</u>	<u>57</u>
TOTAL VOCATIONAL EDUCATION PROGRAMS	<u>285,500</u>	<u>(10,000)</u>	<u>275,500</u>	<u>275,443</u>	<u>57</u>
OTHER INSTRUCTIONAL PROGRAMS					
Salaries	655,242	(159,031)	496,211	484,532	11,679
Employee Benefits	133,455	(70)	133,385	130,330	3,055
Purchased Professional and Technical Services	6,000	128,359	134,359	134,176	183
Other Purchased Services	200	3,788	3,988	3,679	309
Supplies	13,900	30,630	44,530	43,496	1,034
Property	--	1,520	1,520	1,518	2
Other Objects	<u>--</u>	<u>1,310</u>	<u>1,310</u>	<u>650</u>	<u>660</u>
TOTAL OTHER INSTRUCTIONAL PROGRAMS	<u>808,797</u>	<u>6,506</u>	<u>815,303</u>	<u>798,381</u>	<u>16,922</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
COMPARED WITH BUDGET – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Transfers Increase (Decrease)</u>	<u>Final Revised Budget</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)					
COMMUNITY/JUNIOR COLLEGE					
EDUCATION					
Other Purchased Services	--	1,000	1,000	650	350
Supplies	--	5,043	5,043	370	4,673
TOTAL COMMUNITY/JUNIOR COLLEGE EDUCATION	<u>--</u>	<u>6,043</u>	<u>6,043</u>	<u>1,020</u>	<u>5,023</u>
TOTAL INSTRUCTION	<u>8,984,014</u>	<u>349,353</u>	<u>9,333,367</u>	<u>9,239,267</u>	<u>94,100</u>
SUPPORT SERVICES					
PUPIL PERSONNEL					
Salaries	277,895	63,416	341,311	340,809	502
Employee Benefits	69,887	23,186	93,073	92,998	75
Purchased Professional and Technical Services	6,000	23,251	29,251	25,950	3,301
Purchased Property Services	7,000	(1,800)	5,200	5,082	118
Other Purchased Services	11,100	(5,271)	5,829	4,722	1,107
Supplies	15,055	6,429	21,484	20,281	1,203
Property	1,200	4,042	5,242	4,842	400
Other Objects	200	1,145	1,345	1,345	--
TOTAL PUPIL PERSONNEL	<u>388,337</u>	<u>114,398</u>	<u>502,735</u>	<u>496,029</u>	<u>6,706</u>
INSTRUCTIONAL STAFF					
Salaries	229,839	175,562	405,401	405,356	45
Employee Benefits	144,704	46,883	191,587	191,587	--
Purchased Professional and Technical Services	16,070	30,695	46,765	42,498	4,267
Purchased Property Services	1,500	2,000	3,500	1,494	2,006
Other Purchased Services	39,225	(12,888)	26,337	20,915	5,422
Supplies	32,768	10,880	43,648	42,485	1,163
Property	33,235	(17,060)	16,175	16,087	88
Other Objects	1,960	250	2,210	1,850	360
TOTAL INSTRUCTIONAL STAFF	<u>499,301</u>	<u>236,322</u>	<u>735,623</u>	<u>722,272</u>	<u>13,351</u>
ADMINISTRATION					
Salaries	613,615	(52,600)	561,015	560,559	456
Employee Benefits	167,295	(8,740)	158,555	158,465	90
Purchased Professional and Technical Services	61,000	830	61,830	61,822	8
Purchased Property Services	14,800	(2,550)	12,250	12,120	130
Other Purchased Services	59,306	(14,943)	44,363	44,333	30
Supplies	20,300	1,136	21,436	21,325	111
Property	3,300	901	4,201	3,650	551
Other Objects	10,015	(1,850)	8,165	7,350	815
TOTAL ADMINISTRATION	<u>949,631</u>	<u>(77,816)</u>	<u>871,815</u>	<u>869,624</u>	<u>2,191</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
COMPARED WITH BUDGET – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Transfers Increase (Decrease)</u>	<u>Final Revised Budget</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)					
SUPPORT SERVICES (Continued)					
PUPIL HEALTH					
Salaries	128,782	2,026	130,808	130,804	4
Employee Benefits	32,671	9,530	42,201	42,200	1
Purchased Professional and Technical Services	5,350	29,797	35,147	35,147	--
Purchased Property Services	500	--	500	--	500
Other Purchased Services	375	--	375	--	375
Supplies	3,352	(1,300)	2,052	1,534	518
Property	--	3,130	3,130	3,120	10
TOTAL PUPIL HEALTH	<u>171,030</u>	<u>43,183</u>	<u>214,213</u>	<u>212,805</u>	<u>1,408</u>
BUSINESS					
Salaries	149,173	(4,401)	144,772	144,651	121
Employee Benefits	41,919	(2,000)	39,919	39,867	52
Purchased Professional and Technical Services	13,660	(9,960)	3,700	3,616	84
Purchased Property Services	13,250	(4,300)	8,950	8,279	671
Other Purchased Services	7,600	1,770	9,370	8,988	382
Supplies	7,200	11,550	18,750	18,750	--
Property	2,000	3,140	5,140	5,073	67
Other Objects	20,480	(3,823)	16,657	16,647	10
TOTAL BUSINESS	<u>255,282</u>	<u>(8,024)</u>	<u>247,258</u>	<u>245,871</u>	<u>1,387</u>
OPERATION AND MAINTENANCE OF PLANT SERVICES					
Salaries	487,807	(44,000)	443,807	443,188	619
Employee Benefits	187,866	(22,701)	165,165	164,232	933
Purchased Professional and Technical Services	1,000	(1,000)	--	--	--
Purchased Property Services	315,647	8,600	324,247	320,232	4,015
Other Purchased Services	65,008	(4,000)	61,008	60,948	60
Supplies	186,158	11,953	198,111	191,530	6,581
Property	4,070	5,798	9,868	5,467	4,401
Other Objects	180	149	329	329	--
TOTAL OPERATION AND SERVICES	<u>1,247,736</u>	<u>(45,201)</u>	<u>1,202,535</u>	<u>1,185,926</u>	<u>16,609</u>
STUDENT TRANSPORTATION					
Other Purchased Services	170,000	(17,000)	153,000	152,422	578
TOTAL STUDENT TRANSPORTATION	<u>170,000</u>	<u>(17,000)</u>	<u>153,000</u>	<u>152,422</u>	<u>578</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
COMPARED WITH BUDGET – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Transfers Increase (Decrease)</u>	<u>Final Revised Budget</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)					
SUPPORT SERVICES (Continued)					
CENTRAL SUPPORT SERVICES					
Salaries	130,142	(65,600)	64,542	64,519	23
Employee Benefits	28,962	100	29,062	29,042	20
Purchased Professional and Technical Services	3,500	(2,500)	1,000	891	109
Purchased Property Services	14,514	(5,600)	8,914	8,732	182
Other Purchased Services	92,295	23,698	115,993	115,847	146
Supplies	9,000	17,100	26,100	25,924	176
Property	4,000	12,853	16,853	16,847	6
Other Objects	<u>33,050</u>	<u>(32,200)</u>	<u>850</u>	<u>199</u>	<u>651</u>
TOTAL CENTRAL SUPPORT SERVICES	<u>315,463</u>	<u>(52,149)</u>	<u>263,314</u>	<u>262,001</u>	<u>1,313</u>
OTHER SUPPORT SERVICES					
Other Purchased Services	<u>8,700</u>	<u>--</u>	<u>8,700</u>	<u>7,746</u>	<u>954</u>
TOTAL OTHER SUPPORT SERVICES	<u>8,700</u>	<u>--</u>	<u>8,700</u>	<u>7,746</u>	<u>954</u>
TOTAL SUPPORT SERVICES	<u>4,005,480</u>	<u>193,713</u>	<u>4,199,193</u>	<u>4,154,696</u>	<u>44,497</u>
OPERATION OF NONINSTRUCTIONAL SERVICES					
STUDENT ACTIVITIES					
Salaries	165,533	(41,200)	124,333	124,307	26
Employee Benefits	30,222	(11,644)	18,578	18,577	1
Purchased Professional and Technical Services	1,250	4,980	6,230	6,230	--
Purchased Property Services	1,840	500	2,340	1,829	511
Other Purchased Services	9,800	(1,800)	8,000	7,815	185
Supplies	49,001	(2,658)	46,343	46,315	28
Property	4,450	3,571	8,021	8,021	--
Other Objects	<u>1,740</u>	<u>(828)</u>	<u>912</u>	<u>605</u>	<u>307</u>
TOTAL STUDENT ACTIVITIES	<u>263,836</u>	<u>(49,079)</u>	<u>214,757</u>	<u>213,699</u>	<u>1,058</u>
COMMUNITY SERVICES					
Salaries	1,000	(820)	180	180	--
Employee Benefits	100	(81)	19	19	--
Other Purchased Services	15,200	(1,029)	14,171	11,153	3,018
Supplies	<u>--</u>	<u>9,068</u>	<u>9,068</u>	<u>9,068</u>	<u>--</u>
TOTAL COMMUNITY SERVICES	<u>16,300</u>	<u>7,138</u>	<u>23,438</u>	<u>20,420</u>	<u>3,018</u>
TOTAL OPERATION OF NON- INSTRUCTIONAL SERVICES	<u>280,136</u>	<u>(41,941)</u>	<u>238,195</u>	<u>234,119</u>	<u>4,076</u>
Refund of Prior Year's Receipts	<u>--</u>	<u>14,364</u>	<u>14,364</u>	<u>14,060</u>	<u>304</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
COMPARED WITH BUDGET – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Transfers Increase (Decrease)</u>	<u>Final Revised Budget</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)					
TOTAL EXPENDITURES	<u>13,269,630</u>	<u>515,489</u>	<u>13,785,119</u>	<u>13,642,142</u>	<u>142,977</u>
OTHER FINANCING USES					
INTERFUND TRANSFERS	<u>2,145,250</u>	<u>652,767</u>	<u>2,798,017</u>	<u>2,798,017</u>	<u>--</u>
BUDGETARY RESERVE	<u>550,000</u>	<u>(550,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL OTHER FINANCING USES	<u>2,695,250</u>	<u>102,767</u>	<u>2,798,017</u>	<u>2,798,017</u>	<u>--</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 15,964,880</u>	<u>\$ 618,256</u>	<u>\$ 16,583,136</u>	<u>\$ 16,440,159</u>	<u>\$ 142,977</u>

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA
COMBINING STATEMENTS – FIDUCIARY FUND
JUNE 30, 2006**

Fiduciary Fund

Agency Fund This fund accounts for assets held as an agent for various student activities.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>
ASSETS				
Cash and Cash Equivalents	\$ 20,961	\$ 41,916	\$ 37,008	\$ 25,869
Other Receivables	32	--	32	--
Due from Other Funds	<u> --</u>	<u> 297</u>	<u> --</u>	<u> 297</u>
TOTAL ASSETS	<u>\$ 20,993</u>	<u>\$ 42,213</u>	<u>\$ 37,040</u>	<u>\$ 26,166</u>
 LIABILITIES				
Due to Other Funds	\$ 1	\$ --	\$ 1	\$ --
Due to Student Other Groups	<u>20,992</u>	<u>42,213</u>	<u>37,039</u>	<u>26,166</u>
TOTAL LIABILITIES	<u>\$ 20,993</u>	<u>\$ 42,213</u>	<u>\$ 37,040</u>	<u>\$ 26,166</u>

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COLUMBIA BOROUGH SCHOOL DISTRICT
 Net Assets by Component
 Last Six Fiscal Years*

	2001	2002
Governmental activities		
Invested in capital assets, net of related debt	\$ 6,478,028	6,875,641
Unrestricted	<u>2,838,070</u>	<u>2,959,802</u>
Total governmental activities net assets	<u>9,316,098</u>	<u>9,835,443</u>
Business-type activities		
Invested in capital assets, net of related debt	65,384	57,830
Unrestricted	<u>65,646</u>	<u>51,571</u>
Total business-type activities net assets	<u>\$ 131,030</u>	<u>\$ 109,401</u>
Total primary government		
Invested in capital assets, net of related debt	6,543,412	6,933,471
Unrestricted	<u>2,903,716</u>	<u>3,011,373</u>
Total primary government	<u>9,447,128</u>	<u>9,944,844</u>

Source: District Audited Financial Statements

* GASB 34 not implemented until fiscal year 2001

June 30,

2003	2004	2005	2006
6,841,868	7,867,082	8,551,297	9,312,239
<u>2,911,266</u>	<u>3,703,009</u>	<u>3,834,664</u>	<u>4,470,549</u>
<u>9,753,134</u>	<u>11,570,091</u>	<u>12,385,961</u>	<u>13,782,788</u>
56,734	49,203	47,896	41,516
<u>13,519</u>	<u>6,299</u>	<u>43,666</u>	<u>45,489</u>
<u>\$ 70,253</u>	<u>\$ 55,502</u>	<u>\$ 91,562</u>	<u>\$ 87,005</u>
6,898,602	7,916,285	8,599,193	9,353,755
<u>2,924,785</u>	<u>3,709,308</u>	<u>3,878,330</u>	<u>4,516,038</u>
<u>9,823,387</u>	<u>11,625,593</u>	<u>12,477,523</u>	<u>13,869,793</u>

Columbia Borough School District
 Changes in Net Assets
 Last Six Fiscal Years*

	June 30,			
	2001	2002	2003	2004
Expenses				
Governmental activities				
Instruction	\$ 7,097,167	\$ 7,702,365	\$ 8,363,498	\$ 8,542,190
Instructional Student Support	786,216	868,752	1,007,428	1,047,590
Administrative and Financial Support Services	1,107,793	1,187,543	1,231,309	1,364,584
Operation and Maintenance of Plant Services	1,049,439	1,108,019	1,148,412	1,161,577
Pupil Transportation	94,743	98,257	94,332	117,887
Student Activities	338,075	310,136	362,807	334,305
Community Services	13,768	20,667	15,033	13,483
Interest on Long-term Debt	438,371	315,850	348,225	259,159
Unallocated depreciation expense	<u>316,091</u>	<u>14,241</u>	<u>14,247</u>	<u>12,475</u>
Total Governmental Activities	<u>11,241,663</u>	<u>11,625,830</u>	<u>12,585,291</u>	<u>12,853,250</u>
Business-type Activities				
Food Services	<u>558,239</u>	<u>569,044</u>	<u>604,997</u>	<u>618,485</u>
Total primary government expenses	<u>11,799,902</u>	<u>12,194,874</u>	<u>13,190,288</u>	<u>13,471,735</u>
Program revenues				
Governmental activities				
Charges for service	148,723	76,327	56,296	55,813
Operating Grants and Contributions	1,697,787	1,884,252	1,985,806	2,561,558
Capital Grants and Contributions	<u>425,359</u>	<u>374,567</u>	<u>348,134</u>	<u>397,499</u>
Total governmental program revenues	<u>2,271,869</u>	<u>2,335,146</u>	<u>2,390,236</u>	<u>3,014,870</u>
Business-type activities				
Charges for service	282,346	286,989	293,600	285,939
Operating Grants and Contributions	<u>236,600</u>	<u>258,163</u>	<u>256,333</u>	<u>282,646</u>
Total business-type program revenues	<u>518,946</u>	<u>545,152</u>	<u>549,933</u>	<u>568,585</u>
Total primary government program revenues	<u>\$ 3,309,761</u>	<u>\$ 3,425,450</u>	<u>\$ 3,490,102</u>	<u>\$ 4,152,040</u>
Net revenues (expenses)				
Governmental activities	\$ (8,969,794)	\$ (9,290,684)	\$ (10,195,055)	\$ (9,838,380)
Business-type activities	<u>(39,293)</u>	<u>(23,892)</u>	<u>(55,064)</u>	<u>(49,900)</u>
Total primary governmental expense	<u>(9,009,087)</u>	<u>(9,314,576)</u>	<u>(10,250,119)</u>	<u>(9,888,280)</u>

Source: District Audited Financial Statements

* GASB 34 not implemented until fiscal year 2001

2005	2006
\$ 9,339,850	\$ 9,756,823
1,124,404	1,398,504
1,461,335	1,323,898
1,234,212	1,317,998
142,253	152,422
351,799	357,208
18,293	20,420
609,822	785,122
12,499	16,918
<u>14,294,467</u>	<u>15,129,313</u>
<u>635,978</u>	<u>722,645</u>
<u>14,930,445</u>	<u>15,851,958</u>
49,239	103,187
3,027,621	3,049,447
<u>384,469</u>	<u>749,793</u>
3,461,329	3,902,427
300,891	300,322
<u>342,585</u>	<u>381,956</u>
643,476	682,278
<u>\$ 4,748,281</u>	<u>\$ 5,266,983</u>
\$ (10,833,138)	\$ (11,226,886)
<u>7,498</u>	<u>(40,367)</u>
<u>(10,825,640)</u>	<u>(11,267,253)</u>

Columbia Borough School District
 Changes in Net Assets continued
 Last Six Fiscal Years*

	June 30,			
	2001	2002	2003	2004
General Revenues				
Governmental activities				
Taxes:				
Property taxes levied for general purposes, net	5,076,940	5,019,745	5,181,172	5,714,378
Public utility realty, earned income and per capita taxes levied for general purposes, net	758,743	772,460	745,332	770,121
Grants, subsidies and contributions not restricted	3,679,112	3,942,175	4,077,237	4,242,397
Investment earnings	254,317	98,087	110,890	71,214
Miscellaneous Income	47,510	28,430	23,115	48,917
Special item - Contribution of capital asset	-	-	-	1,000,000
Transfers	-	-	(25,000)	(35,000)
Total governmental activities	<u>9,816,622</u>	<u>9,860,897</u>	<u>10,112,746</u>	<u>11,812,027</u>
Business-type activities				
Investment earnings	4,417	2,263	989	149
Miscellaneous income	-	-	-	-
Transfers	-	-	25,000	35,000
Total business-type activities	<u>4,417</u>	<u>2,263</u>	<u>25,989</u>	<u>35,149</u>
Total primary government	<u>9,821,039</u>	<u>9,863,160</u>	<u>10,138,735</u>	<u>11,847,176</u>
Changes in net assets				
Governmental activities	846,828	570,213	(82,309)	1,973,647
Business-type activities	<u>(34,876)</u>	<u>(21,629)</u>	<u>(29,075)</u>	<u>(14,751)</u>
Total primary government	<u>\$ 811,952</u>	<u>\$ 548,584</u>	<u>\$ (111,384)</u>	<u>\$ 1,958,896</u>

2005	2006
6,111,033	6,672,370
778,936	913,408
4,422,743	4,679,866
329,406	364,681
31,890	25,525
-	-
<u>(25,000)</u>	<u>(32,137)</u>
11,649,008	12,623,713
219	457
3,343	3,216
<u>25,000</u>	<u>32,137</u>
28,562	35,810
<u>11,677,570</u>	<u>12,659,523</u>
815,870	1,396,827
<u>36,060</u>	<u>(4,557)</u>
<u>\$ 851,930</u>	<u>\$ 1,392,270</u>

Columbia Borough School District
 Governmental Funds - Fund Balances
 Last Six Fiscal Years*

	June 30,			
	2001	2002	2003	2004
General Fund				
Reserved	\$ 32,259	\$ 62,983	\$ 23,935	\$ 17,293
Unreserved				
Designated	508,000	468,000	981,639	1,156,465
Undesignated	1,178,846	<u>1,445,575</u>	<u>891,196</u>	<u>1,272,431</u>
Total general fund	<u>1,719,105</u>	<u>1,976,558</u>	<u>1,896,770</u>	<u>2,446,189</u>
All other governmental funds				
Reserved				
Debt Service	-	-	-	10,481
Capital purposes	896,974	783,165	761,564	10,451,145
Athletic purposes	58,618	<u>10,728</u>	<u>10,157</u>	<u>782</u>
Total all other governmental funds	<u>\$ 955,592</u>	<u>\$ 793,893</u>	<u>\$ 771,721</u>	<u>\$ 10,462,408</u>

Note: This schedule is prepared on the modified accrual basis of accounting.

Source: District Audited Financial Statements

* GASB 34 not implemented until fiscal year 2001

2005	2006
\$ 30,694	\$ 19,955
977,000	1,150,146
<u>1,690,832</u>	<u>1,552,719</u>
<u>2,698,526</u>	<u>2,722,820</u>
-	-
4,710,690	2,359,757
508	449
<u>\$ 4,711,198</u>	<u>\$ 2,360,206</u>

Columbia Borough School District
 Governmental Funds - Changes in Fund Balances
 Last Six Fiscal Years*

	June 30,			
	2001	2002	2003	2004
Revenues				
Local Sources				
Real estate taxes and penalties	\$ 4,950,501	\$ 5,017,503	\$ 5,218,978	\$ 5,717,739
Other taxes	758,743	772,460	745,332	770,121
Interest	254,317	98,087	110,890	71,214
Revenue from intermediate sources	69,827	76,621	78,764	162,246
Tuition	17,837	12,241	10,490	11,411
Revenue from student activities	127,059	52,576	78,083	67,586
Other revenue	45,560	27,967	33,850	34,812
Refund of prior year expenses	-	-	-	252,856
Total local sources	<u>6,223,844</u>	<u>6,057,455</u>	<u>6,276,387</u>	<u>7,087,985</u>
State sources	5,395,871	5,864,280	6,003,175	6,229,994
Federal sources	<u>334,837</u>	<u>260,093</u>	<u>281,546</u>	<u>545,579</u>
Total revenues	<u>11,954,552</u>	<u>12,181,828</u>	<u>12,561,108</u>	<u>13,863,558</u>
Expenditures				
Current:				
Instruction	6,910,266	7,392,781	7,932,054	8,177,853
Support services	2,941,908	3,188,997	3,489,951	3,802,001
Operation of noninstructional services	<u>350,636</u>	<u>324,691</u>	<u>362,603</u>	<u>334,948</u>
Total current expenditures	10,202,810	10,906,469	11,784,608	12,314,802
Capital outlay				
Facilities acquisition, construction and improvement services	<u>17,247</u>	<u>80,411</u>	<u>33,857</u>	<u>207,178</u>
Total capital outlay	17,247	80,411	33,857	207,178
Debt service				
Principal	670,000	4,455,000	695,000	840,000
Interest and fiscal charges	<u>385,190</u>	<u>411,467</u>	<u>214,007</u>	<u>222,038</u>
Total debt service	<u>1,055,190</u>	<u>4,866,467</u>	<u>909,007</u>	<u>1,062,038</u>

	2005	2006
\$	6,111,432	\$ 6,746,480
	772,271	913,408
	329,406	364,681
	317,963	316,021
	7,090	18,772
	79,335	60,826
	36,548	66,800
	162	1,802
	<u>7,654,207</u>	<u>8,488,790</u>
	6,801,037	7,580,309
	<u>673,267</u>	<u>563,315</u>
	<u>15,128,511</u>	<u>16,632,414</u>
	9,034,094	9,239,267
	3,935,431	4,730,312
	<u>356,724</u>	<u>398,807</u>
	<u>13,326,249</u>	<u>14,368,386</u>
	<u>5,824,241</u>	<u>7,106,493</u>
	5,824,241	7,106,493
	860,000	1,270,000
	<u>592,454</u>	<u>756,517</u>
	<u>1,452,454</u>	<u>2,026,517</u>

Columbia Borough School District
 Governmental Funds - Changes in Fund Balances continued
 Last Six Fiscal Years

	June 30,			
	2001	2002	2003	2004
Refund or prior year's receipts	-	-	-	1,134
Total expenditures	<u>11,275,247</u>	<u>15,853,347</u>	<u>12,727,472</u>	<u>13,585,152</u>
Excess (deficiency) of revenues over expenditures	679,305	(3,671,519)	(166,364)	278,406
Other financing sources (uses)				
Interfund transfers	-	-	(25,000)	(35,000)
Bond issue proceeds	-	3,810,000	4,160,000	9,995,000
Debt service on refinancing	-	-	(4,075,276)	-
Refund of prior year expenditures	-	-	4,480	-
Sale/compensation for fixed assets	<u>7,500</u>	<u>19,375</u>	<u>200</u>	<u>1,700</u>
Total other financing sources (uses)	<u>7,500</u>	<u>3,829,375</u>	<u>64,404</u>	<u>9,961,700</u>
Net change in fund balances	<u>\$ 686,805</u>	<u>\$ 157,856</u>	<u>\$ (101,960)</u>	<u>\$ 10,240,106</u>
Ratio of debt service to noncapital expenditures	10.34%	44.62%	7.71%	8.62%

Source: District Audited Financial Statements

* GASB 34 not implemented until fiscal year 2001

2005	2006
-	14,060
<u>20,602,944</u>	<u>23,515,456</u>
(5,474,433)	(6,883,042)
(25,000)	-
-	-
-	-
560	-
<u>(24,440)</u>	<u>-</u>
<u>\$ (5,498,873)</u>	<u>\$ (6,883,042)</u>
10.90%	14.10%

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
GENERAL FUND REVENUES AND OTHER FINANCING SOURCES BY SOURCE
LAST TEN FISCAL YEARS
Unaudited

Fiscal Year:	1997	1998	1999	2000
Local Sources:				
Real Estate Taxes (Current)	\$ 3,164,856	\$ 3,514,977	\$ 4,352,513	\$ 4,609,630
Interim Real Estate Taxes	2,433	3,682	2,830	9,233
Public Utility Tax	54,244	53,203	52,061	45,611
Payment in Lieu of Tax	6,000	6,000	6,000	6,000
Per Capita Taxes - Sec. 679 (Current)	26,310	26,588	24,740	25,427
Per Capita Taxes - Act 511 (Current)	52,621	53,175	49,481	50,854
Earned Income Taxes (Current)	551,280	614,410	570,227	628,483
Delinquent Taxes	216,764	168,961	228,902	218,898
Earnings from Investments	74,884	78,666	116,057	156,829
Other Sources	47,691	68,374	163,202	82,700
State Sources:				
Instructional Subsidy	3,296,817	3,388,580	3,494,316	3,593,585
Rentals & Sinking Payments	396,988	624,747	519,983	556,586
Special Education	435,367	463,843	502,476	597,254
Transportation	10,095	11,219	10,575	10,066
Retirement Subsidy	267,222	229,303	170,212	134,761
Social Security Subsidy	192,025	198,205	215,805	229,016
Other Sources	120,364	110,133	152,907	293,008
Federal Sources:				
Total Federal Sources	244,988	238,819	222,821	330,233
Other Sources:				
Total Other Sources	-	-	210	3,150
Total revenues and other financing sources				
	<u>\$ 9,160,949</u>	<u>\$ 9,852,885</u>	<u>\$ 10,855,318</u>	<u>\$ 11,581,324</u>

Source: District Audited Financial Statements

	2001	2002	2003	2004	2005	2006
\$	4,683,907	\$ 4,667,162	\$ 4,861,653	\$ 5,261,579	\$ 5,611,670	\$ 6,072,328
	1,800	28,216	28,621	13,150	2,059	12,760
	20,499	11,438	9,535	10,499	7,994	10,792
	16,394	11,520	11,520	5,520	14,400	11,000
	26,727	25,792	23,927	22,030	21,534	21,044
	53,453	51,598	47,853	44,062	43,051	52,583
	658,064	664,375	655,852	672,493	675,072	818,988
	248,401	329,862	325,349	458,527	497,703	661,392
	208,669	73,303	98,456	40,319	69,387	240,713
	102,031	116,829	167,405	488,194	410,698	419,904
	3,679,032	3,937,739	4,070,348	4,237,066	4,406,391	4,640,570
	366,213	371,865	336,669	387,208	384,469	749,793
	727,655	1,001,658	1,019,928	1,054,336	1,080,193	1,110,514
	9,368	10,136	10,179	12,551	13,272	12,040
	58,603	35,468	49,749	140,195	165,444	183,952
	236,914	240,564	260,014	263,364	282,075	297,933
	317,756	266,850	256,106	135,025	468,956	584,807
	334,838	260,093	281,546	545,579	673,267	563,315
	<u>23,069</u>	<u>10,650</u>	<u>200</u>	<u>1,700</u>	<u>560</u>	<u>25</u>
<u>\$</u>	<u>11,773,391</u>	<u>\$ 12,115,117</u>	<u>\$ 12,514,909</u>	<u>\$ 13,793,397</u>	<u>\$ 14,828,194</u>	<u>\$ 16,464,453</u>

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES BY FUNCTION
LAST TEN FISCAL YEARS
Unaudited

Fiscal Year:	1997	1998	1999	2000
Current:				
Instruction:				
Regular programs - elementary/secondary	\$ 4,385,360	\$ 4,586,545	\$ 4,838,837	\$ 5,109,548
Special programs - elementary/secondary	784,405	822,798	979,959	1,393,252
Vocational education programs	373,107	382,284	366,772	194,105
Other instructional programs - elementary/secondary	189,124	184,673	182,977	318,522
Community/Junior College	2,940	2,998	1,875	1,179
Support Services:				
Pupil personnel	352,719	361,308	380,185	307,733
Instructional staff	173,098	180,336	230,239	222,295
Administration	658,055	657,422	709,237	745,004
Pupil health	103,687	107,285	132,995	147,374
Business office	176,301	165,225	226,730	232,315
Operation and maintenance of plant	846,179	866,756	899,166	958,746
Student transportation services	41,686	64,802	67,493	77,200
Central support	63,531	57,929	66,538	128,869
Other support services	24,981	7,510	7,662	7,610
Noninstructional services:				
Student activities	110,473	119,676	122,324	148,557
Community services	32,319	23,312	46,395	13,367
Facilities Improvements:	-	-	-	10,225
Debt Service:	10,115	5,588	345	893
Total current expenditures	8,328,080	8,596,447	9,259,729	10,016,794
Refund of prior year's receipts	-	-	-	-
Other financing uses	915,849	1,143,822	1,252,082	1,297,640
Total expenditures and other financing uses	<u>\$ 9,243,929</u>	<u>\$ 9,740,269</u>	<u>\$ 10,511,811</u>	<u>\$ 11,314,434</u>

Source: District Audited Financial Statements

	2001	2002	2003	2004	2005	2006
\$	4,819,517	\$ 5,142,420	\$ 5,535,840	\$ 5,363,553	\$ 5,680,746	\$ 5,861,535
	1,478,008	1,624,532	1,720,305	1,932,651	2,211,944	2,302,888
	204,202	242,198	294,771	271,265	257,174	275,443
	398,546	378,631	381,139	610,384	884,230	798,381
	-	-	-	-	-	1,020
	308,363	371,100	415,810	414,040	381,563	496,029
	337,657	337,679	426,024	469,230	668,440	722,272
	772,143	768,430	796,228	918,611	860,137	869,625
	140,171	162,020	149,361	166,751	188,140	212,805
	204,566	217,040	196,390	187,736	189,776	245,871
	942,186	1,017,106	1,058,569	1,074,510	1,082,494	1,185,926
	94,743	98,257	94,332	117,887	142,253	152,422
	126,856	154,451	261,894	228,093	239,163	262,001
	7,855	7,690	7,545	7,060	7,300	7,746
	138,820	188,724	248,449	210,551	205,230	213,698
	13,768	20,667	15,034	13,483	18,294	20,421
	-	-	-	-	-	-
	-	-	-	-	-	-
	9,987,402	10,730,945	11,601,690	11,985,806	13,016,884	13,628,083
	-	-	-	1,134	-	14,060
	<u>1,335,190</u>	<u>1,115,786</u>	<u>993,007</u>	<u>1,257,038</u>	<u>1,558,973</u>	<u>2,798,017</u>
\$	<u>11,322,592</u>	<u>11,846,731</u>	<u>12,594,697</u>	<u>13,243,978</u>	<u>14,575,857</u>	<u>16,440,160</u>

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 GENERAL FUND COST PER PUPIL FOR EXPENDITURES AND OTHER FINANCING USES
 LAST TEN FISCAL YEARS
 Unaudited

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Total current expenditures	\$ 8,328,080	\$ 8,596,447	\$ 9,259,729	\$ 10,016,794	\$ 9,987,402
Current Expenditures per pupil	\$ 5,623	\$ 5,693	\$ 6,068	\$ 6,764	\$ 6,726
Total expenditures and other financing uses	\$ 9,243,929	\$ 9,740,269	\$ 10,511,811	\$ 11,314,434	\$ 11,322,592
Total Expenditures per pupil	\$ 6,242	\$ 6,451	\$ 6,888	\$ 7,640	\$ 7,625

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 10,730,945	\$ 11,601,690	\$ 11,985,806	\$ 13,016,884	\$ 13,628,083
\$ 7,055	\$ 7,553	\$ 8,176	\$ 8,910	\$ 9,277
\$ 11,846,731	\$ 12,594,697	\$ 13,243,978	\$ 14,575,857	\$ 13,639,366
\$ 7,789	\$ 8,200	\$ 9,034	\$ 9,977	\$ 9,285

Columbia Borough School District
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Six Fiscal Years

<u>Fiscal Year</u>	<u>Assessed Value</u>				
	<u>Residential Property</u>	<u>Industrial Property</u>	<u>Trans/Utility Property</u>	<u>Commercial Property</u>	<u>Community Property</u>
2001	\$ 228,972,700	\$ 17,862,300	\$ 1,902,300	\$ 41,448,700	\$ 11,890,000
2002	231,362,100	15,568,000	2,677,400	41,161,500	12,362,900
2003	233,284,500	16,568,100	1,775,300	40,356,400	15,730,600
2004	233,463,100	16,568,100	1,658,300	40,318,900	14,949,400
2005*	272,276,200	18,404,000	1,639,600	47,746,300	15,639,800
2006**	273,272,700	18,245,400	1,645,700	47,435,900	15,927,900

*County-wide reassessment done in Lancaster County, Pennsylvania

**Estimated as of 9-18-2006

***Based on known collection rate or estimated for current year

<u>Cultural Property</u>	<u>Agricultural Property</u>	<u>Forestry Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value***</u>
\$ 1,559,700	\$ 384,900	\$ 41,100	\$ 304,061,700	16.50	4,699,943
1,559,700	384,900	41,100	305,117,600	16.50	4,709,216
1,559,700	384,900	41,100	309,700,600	17.00	4,917,953
1,719,400	178,200	247,800	309,103,200	19.00	5,497,679
1,734,500	225,400	275,100	357,940,900	18.77	6,113,881
1,783,200	-	543,000	358,853,800	18.77	6,129,474

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
PROPERTY TAX RATES (PER \$1,000 OF ASSESSED VALUATION)
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN COLLECTION (CALENDAR) YEARS
Unaudited

<u>YEAR</u>	<u>COLUMBIA BOROUGH SCHOOL DISTRICT</u>	<u>BOROUGH OF COLUMBIA</u>	<u>LANCASTER COUNTY</u>	<u>TOTAL</u>
1996	76.500	28.000	11.000	115.500
1997 1)	12.190	4.430	1.970	18.590
1998	15.190	4.436	2.535	22.161
1999	16.140	4.436	2.515	23.091
2000	16.500	4.660	2.515	23.675
2001	16.500	4.660	2.613	23.773
2002	17.000	5.400	2.613	25.013
2003	19.000	6.150	2.847	27.997
2004	20.000	6.150	3.205	29.355
2005 1)	18.770	5.760	2.962	27.492
2006	18.770	6.260	2.962	27.992

Source: Local Government Officials

1) County-wide reassessment done in Lancaster County, Pennsylvania

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COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
Unaudited

<u>Year</u>		<u>Adjusted Assessed Valuation</u>	<u>Millage</u>		<u>Adjusted Levy</u>	<u>Modified Accrual Total Year of Levy Collections</u>	<u>Year Collections as a Percent Of Total Adjusted Levy</u>
1996-1997	\$	43,979,710	76.50	\$	3,365,958	\$ 3,164,856	94.03%
1997-1998	1) \$	307,305,896	12.19	\$	3,746,061	\$ 3,482,504	92.96%
1998-1999	\$	305,559,179	15.19	\$	4,641,247	\$ 4,322,603	93.13%
1999-2000	\$	303,388,603	16.14	\$	4,894,024	\$ 4,618,864	94.38%
2000-2001	\$	303,141,225	16.50	\$	5,001,662	\$ 4,685,706	93.68%
2001-2002	\$	305,345,800	16.50	\$	5,019,923	\$ 4,695,412	93.54%
2002-2003	\$	308,926,110	17.00	\$	5,235,433	\$ 4,890,274	93.41%
2003-2004	\$	309,168,000	19.00	\$	5,756,335	\$ 5,274,729	91.63%
2004-2005	\$	309,168,600	20.00	\$	6,183,372	\$ 5,613,729	90.79%
2005-2006	\$	357,871,100	18.77	\$	6,717,243	\$ 6,085,088	90.59%

Source: District Financial Reports

1) County-wide reassessment done in Lancaster County, Pennsylvania

	Modified Accrual Total Plus Delinquent <u>Collections</u>	Total Collections as a Percent of Total Adjusted <u>Levy</u>
\$	3,381,620	100.47%
\$	3,643,215	97.25%
\$	4,545,701	97.94%
\$	4,823,392	98.56%
\$	4,922,891	98.43%
\$	5,006,016	99.72%
\$	5,207,459	99.47%
\$	5,717,739	99.33%
\$	6,184,119	100.01%
\$	6,726,570	100.14%

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 CONSTRUCTION PERMITS AND MARKET VALUES
 LAST TEN FISCAL YEARS
Unaudited

	Lancaster County Number of Units	Market Value
1997*	4,722	\$ 467,926,900
1998	3,849	\$ 451,570,900
1999	3,504	\$ 434,999,300
2000	3,719	\$ 500,085,500
2001	3,806	\$ 425,854,400
2002	3,322	\$ 367,545,500
2003	3,833	\$ 467,475,900
2004	805	\$ 207,394,100
2005*	4,771	\$ 812,186,700

Source: Lancaster County Assessors Officials

Note: Amounts are based on interim appraisals for new construction and additions, which are added to the following year's real estate.

* Denotes new assessment year.

Columbia Borough School District
 Governmental Funds - Most Significant Own-Source Revenues
 Last Six Fiscal Years

<u>Fiscal Year</u>		<u>Property Taxes</u>		<u>Other Taxes</u>		<u>Total</u>
2001	\$	4,950,501	\$	758,743	\$	5,709,244
2002		5,017,503		772,460		5,789,963
2003		5,218,978		745,332		5,964,310
2004		5,717,739		770,121		6,487,860
2005		6,111,432		772,271		6,883,703
2006		6,746,480		913,408		7,659,888

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 TEN LARGEST REAL PROPERTY TAXPAYERS
Unaudited

Taxpayer	Business/Property	2006 Assessed Value	Percentage of Total Taxable District Assessment
Luthercare	Residential facility	6,886,000	2.22%
Susquehanna Valley Nursing	Residential facility	4,970,900	1.60%
Supply Sales (Anvil International)	Pipe fittings/iron castings	3,400,000	1.10%
R & S Manufacturing	Electrical motors	2,872,400	0.93%
Columbia Hospital Home	Medical facility	2,746,200	0.89%
Columbia Plaza Associates	Shopping center	2,420,300	0.78%
Helest Realty Corp	Property holdings	2,239,300	0.72%
M & M Realty	Property holdings	2,136,900	0.69%
Plane Street Housing	Apartment complex	1,264,100	0.41%
Safe Harbor Water Power Co.	Rentals and property holdings	1,070,500	0.35%
	Total	<u>\$ 30,006,600</u>	9.68%
	Total real property taxables	<u>\$ 309,828,500</u>	
	Total taxables and exempts	\$ 357,879,500	

Source: School District Officials

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 BANK DEPOSIT INFORMATION
 LAST TEN FISCAL YEARS HISTORY
Unaudited

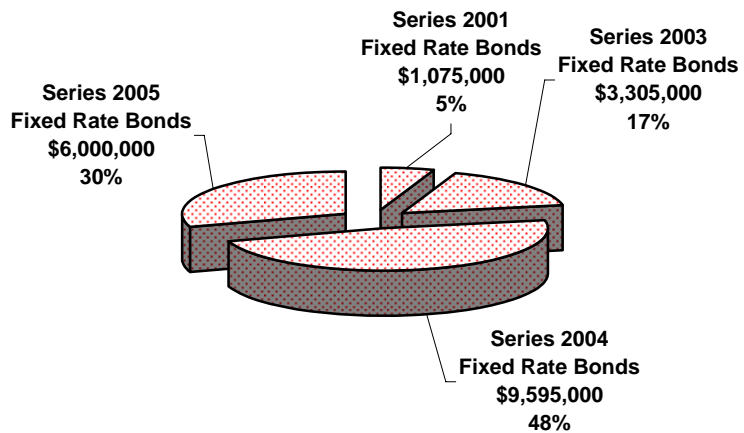
As of 6/30/	<u>Total Bank Deposits</u>		
	<u>Union National Community Bank*</u>	<u>LANCO Federal Credit Union**</u>	<u>Total FDIC Insured Institutions Lancaster County*</u>
1997	\$ 169,539,000	\$ 19,256,384 ***	\$ 5,171,000,000
1998	\$ 188,986,000	\$ 21,669,651	\$ 5,237,152,000
1999	\$ 205,848,000	\$ 24,254,526	\$ 5,312,000,000
2000	\$ 216,359,000	\$ 25,605,564	\$ 5,832,000,000
2001	\$ 213,688,000	\$ 27,487,729	\$ 6,035,000,000
2002	\$ 212,535,000	\$ 31,538,771	\$ 6,034,697,000
2003	\$ 229,032,000	\$ 35,797,877	\$ 7,056,000,000
2004	\$ 252,199,000	\$ 37,574,392	\$ 7,380,086,000
2005	\$ 297,349,000	\$ 42,239,557	\$ 7,677,000,000
2006	\$ 330,877,000	\$ 36,340,605	\$ 8,103,302,000

Sources: * Federal Deposit Insurance Corporation Summary of Deposits
 ** CreditUnions.com by Callahan & Associates, Inc
 1001 Connecticut Avenue, NW, 10th Floor, Washington, D.C. 20036
 *** Information available as of 12/31/ for these years

Note: Information is only available on an institute-wide basis, as reported above,
 not by school district. Union National Community Bank is the districts
 primary depository.

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 Gross Principal Debt Outstanding
 June 30, 2006
 Unaudited

As of Fiscal Year Ending June 30	2001 G.O. Bonds	2003 G.O. Bonds	2004 G.O. Bonds	2005 G.O. Bonds	Total
2007	\$ 675,000	\$ 235,000	\$ 400,000	\$ 195,000	\$ 1,505,000
2008	400,000	405,000	405,000	200,000	1,410,000
2009		635,000	415,000	205,000	1,255,000
2010		655,000	425,000	215,000	1,295,000
2011		675,000	440,000	220,000	1,335,000
2012		700,000	455,000	230,000	1,385,000
2013			470,000	240,000	710,000
2014			490,000	255,000	745,000
2015			505,000	265,000	770,000
2016			525,000	275,000	800,000
2017			545,000	290,000	835,000
2018			570,000	305,000	875,000
2019			590,000	320,000	910,000
2020			615,000	340,000	955,000
2021			640,000	355,000	995,000
2022			670,000	375,000	1,045,000
2023			700,000	395,000	1,095,000
2024			735,000	415,000	1,150,000
2025				440,000	440,000
2026				465,000	465,000
2027					-
2028					-
Total	\$ 1,075,000	\$ 3,305,000	\$ 9,595,000	\$ 6,000,000	\$ 19,975,000



Source: Debt Sinking Fund Statements

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT**
 June 30, 2006
 Unaudited

<u>Governmental unit</u>	<u>Gross Outstanding</u>
Direct Debt:	
Nonelectoral General Obligation Debt*	\$ 19,975,000
Lease Rental Debt	<u>105,455</u>
Total Direct Debt	<u>20,080,455</u>
Overlapping Debt:	
Lancaster County General Obligation Bonds (1)	<u>3,179,932</u>
Total Direct and Overlapping Debt:	<u>\$ 23,260,387</u>

*Includes Series of 2001, 2003, 2004, 2005 Bonds

** Note: The Local Government Unit Debt Act(Act 52 of 1978, re-enacted and amending Act 185 of 1972) describes debt limits for all local government units in Pennsylvania.

(1) Pro rata 1.32% share of the outstanding debt of the County of Lancaster (\$240,903,905) as reported by the Pennsylvania Department of Community and Economic Development

Sources:

- Debt Sinking Fund Statements
- School District Annual Financial Reports
- LCCTC Annual Financial Reports
- Lancaster County Comptroller's Office

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
 AND NET BONDED DEBT PER CAPITA
 LAST TEN YEARS
Unaudited

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Fiscal Year Gross Outstanding Bonded Debt</u>	<u>Fiscal Year Net Outstanding Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value (%)</u>	<u>Estimated Net Bonded Debt per Capita</u>
1996-97	10,701	\$ 44,589,170	6,865,000	3,672,027	8.24%	\$ 343
1997-98	10,701	\$ 306,899,400	6,095,000	3,257,162	1.06%	\$ 304
1998-99	10,701	\$ 305,303,900	5,295,000	2,743,892	0.90%	\$ 256
1999-00	10,701	\$ 304,751,600	8,735,000	6,300,654	2.07%	\$ 589
2000-01	10,311	\$ 302,695,100	8,065,000	5,939,975	1.96%	\$ 576
2001-02	10,311	\$ 302,159,600	11,145,000	5,629,960	1.86%	\$ 546
2002-03	10,311	\$ 304,816,300	10,710,000	8,810,820	2.89%	\$ 855
2003-04	10,311	\$ 306,722,000	16,105,000	13,245,568	4.32%	\$ 1,285
2004-05	10,311	\$ 309,828,500	15,245,000	13,953,847	4.50%	\$ 1,353
2005-06	10,311	\$ 357,940,900	19,975,000	14,511,984	4.05%	\$ 1,407

Notes:

(1) U.S. Bureau of Census - 2000

(2) State Tax Equalization Board (County re-assessed property values in 1997)

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 POPULATION TRENDS
Unaudited

<u>Year</u>	<u>School District</u>	<u>Lancaster County</u>	<u>Pennsylvania</u>	<u>United States</u>
1970	11,237	320,079	11,793,909	205,052,174
1980	10,466	362,346	11,863,895	227,224,681
1990	10,701	422,822	11,881,643	249,438,712
2000	10,311	470,658	12,281,054	281,421,906
2004*	10,159	487,332	12,406,292	293,655,404
2005*	<i>Unavailable</i>	490,562	12,429,616	296,410,404

Source: U.S. Bureau of the Census, Decennial Census

**U.S. Bureau of the Census, Population Division Estimate, July 1, 2004, July 1, 2005*

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 VITAL STATISTICS
Unaudited

<u>Category</u>	<u>Lancaster County</u>	<u>Pennsylvania</u>	<u>Source</u>	
	<u>Estimated Values</u>		<u>Date</u>	<u>Source</u>
Total population	490,562	12,429,616	2005	BOC
Occupied housing units	190,744	5,422,362	2005	BOC
Persons per household	2.64	2.59	2004	BOC
Unemployment rate (%)	3.20	4.20	Sep-06	BLS
Total personal income (\$)	14,975,120	412,890,270	2004	BEA
Per capita income (\$)	30,790	33,312	2004	BEA
Median household income (\$)	49,282	46,242	2005	BOC
Median Home Price	158,700	167,500	2005	BOC

Source codes:
 BOC - Bureau of the Census
 BLS - Bureau of Labor Statistics
 BEA - Bureau of Economic Analysis

COLUMBIA BOROUGH SCHOOL DISTRICT
 TEN LARGEST AREA EMPLOYERS
Unaudited

<u>Major Employers</u>		<u>Employment Estimated*</u>
Lancaster General Hospital	Medical Facility	5,564
R. R. Donnelley & Sons	Direct Mail Advertising	3,500
County of Lancaster	County Government	2,700
Armstrong Holdings, Inc.	Floor coverings	2,600
Manheim Auto Auction	Auto Sales	1,900
High Industries, Inc.	Pre-cast concrete,steel	1,595
Ephrata Community Hospital	Medical Facility	1,400
School District of Lancaster	Public School District	1,311
Dart Container Corp. of PA	Food Packaging Products	1,300
Tyson Foods, Inc.	Poultry Processing	1,300

Source: The Lancaster Chamber of Commerce and Industry,
 "Lancaster County Life - 2005-2006"

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 SALARY DATA FOR CLASSROOM TEACHERS
 As of November 1, 2006
 Unaudited

SALARIES FOR TEACHERS WHO TEACH IN CLASSROOMS CURRENT YEAR

Total number of full-time teachers - base salary only

SALARY GROUPS	Number of Teachers with BS, BS+	Number of Teachers with M Ed, M Ed+	Total of all Classroom Teachers
\$60,000 and Over		28	28
\$57,000 - \$59,999	4	4	8
\$54,000 - \$56,999	1	7	8
\$51,000 - \$53,999	2	1	3
\$48,000 - \$50,999	0	3	3
\$45,000 - \$47,999	1	3	4
\$42,000 - \$44,999	4	4	8
\$39,000 - \$41,999	20	6	26
\$36,000 - \$38,999	19	0	19
\$33,000 - \$35,999	5		5
\$30,000 - \$32,999	0		0
Below \$30,000	0		0
Total # of Teachers	56	56	112

	B.S.	M.Ed	D.Ed
Highest Salary Actually Paid	\$59,624	\$69,557	\$69,557
Lowest Salary Actually Paid	\$35,183	\$39,017	\$0

Total salaries	\$ 5,595,085
Full-time classroom teachers	112
Average classroom teacher salary for 2006-07	\$ 49,956

Source: District Personnel Records

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 PROFESSIONAL AND ADMINISTRATIVE STAFF SUMMARY
 As of November 1, 2006
 Unaudited

	<u>Total</u>	<u>Male</u>	<u>Female</u>		
Total	135	36	99		
Full-time	132	36	96		
Part-time	3	0	3		
<u>Years of Service</u>					
1	11	3	8		
2-10	71	21	50		
11-20	19	2	17		
21-30	21	7	14		
30+	13	3	10		
<u>Age</u>					
Under 30	21	7	14		
30-50	59	18	41		
Over 50	55	11	44		
<u>Education Degree Levels</u>					
High School	1	1	0		
Bachelor's	85	26	59		
Master's	46	7	39		
Doctor's	3	2	1		
<u>Description</u>					
Elementary Teachers	54	9	45	<u>Number of</u> 707	<u>Student/</u> Teacher Ratio 7.64%
Secondary Teachers	58	18	40	698	8.31%
Guidance/Library/Nurse/Other	13	5	8		
Total Instructional	125	32	93		
Administrative/Supervisory	10	6	4		

Source: District Personnel Records

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 SUPPORT STAFF SUMMARY
 As of November 1, 2006
 Unaudited

<u>Position Category</u>	<u>Gender</u>	<u>Full-time</u>	<u>Part-time</u>	<u>Total</u>
Instructional aides	Male	2	0	2
	Female	2	0	2
Administrative support	Male	0	0	0
	Female	13	2	15
Library/media support	Male	0	0	0
	Female	1	0	1
All other support	Male	10	38	48
	Female	13	37	50
Total	Male	12	38	50
	Female	29	39	68
	Total	41	77	118

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
DISTRICT FACILITIES
As of November 1, 2006
Unaudited

<u>Building</u>	<u>Original Construction Date</u>	<u>Architectural Area</u>	<u>Renovation Date(s)</u>	<u>Grades</u>	<u>Building Capacity</u>	<u>2006-2007 Enrollment</u>
Elementary Schools						
Park	Unknown	84,202	1981, 1997, 2006	K-6	706	449
Taylor*	1988	37,370	1997, 2006	K-6	340	288
Secondary School						
Junior Senior High	1957	116,326	1989, 1997	7-12	820	659**
Field House	1996	9,752	1996	Athletics	n/a	n/a
District Administration Center	1955	19,816	2005	Admin.	n/a	n/a

Note: Enrollments include all students housed and served in district-operated facilities

* Taylor elementary was originally constructed in 1904 and renovated in 1960. In 1988, the original building was demolished and rebuilt.

** Does not include full-day Vo-Tech students

Source: Pennsylvania Department of Education (PDE) and District records

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 ENROLLMENT PROJECTIONS
Unaudited

<u>YEAR</u>	<u>K</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>Elementary</u>
HISTORICAL DATA								
1996-97	137	161	133	122	113	101	102	869
1997-98	110	156	144	127	131	115	113	896
1998-99	120	125	140	145	114	127	112	883
1999-00	125	132	110	137	126	109	120	859
2000-01	104	152	113	105	132	121	120	847
2001-02	108	140	122	119	110	128	130	857
2002-03	104	124	117	118	114	111	135	823
2003-04	98	128	102	114	106	115	107	770
2004-05	94	111	115	96	107	105	112	740
2005-06	127	100	110	113	95	100	112	757
PROJECTED DATA								
2006-07	106	109	89	106	107	89	101	707
2007-08	110	112	97	86	100	100	90	695
2008-09	94	116	99	94	81	93	101	678
2009-10	95	99	103	96	89	76	94	652
2010-11	93	100	88	100	91	83	77	632
2011-12	91	98	89	85	95	85	84	627
2012-13	89	96	87	86	80	89	86	613
2013-14	87	94	85	84	81	75	90	596
2014-15	85	92	83	82	79	76	76	573

Source: Historical data - actual enrollment as reported to State, October 1 of each year.
 Projected data - prepared by the Pennsylvania Department of Education, July, 2006
 (2005 enrollments)

Notes: Excludes students in full-time out-of-district special education, comprehensive AVTSs, charter schools, state-owned schools, consortium-operated alternative high schools, and juvenile correctional institutes.

<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>Secondary</u>	<u>TOTAL</u>	<u>Inc / -Dec</u>	<u>% Lancaster County</u>	<u>% of Lancaster County</u>
122	113	120	93	74	90	612	1,481	2.70%		
106	121	115	111	94	67	614	1,510	1.96%	68,906	2.19%
116	112	113	117	110	75	643	1,526	1.06%	69,364	2.20%
114	102	106	101	105	94	622	1,481	-2.95%	69,204	2.14%
123	120	104	101	99	91	638	1,485	0.27%	69,076	2.15%
135	128	106	102	109	84	664	1,521	2.42%	69,758	2.18%
144	133	119	114	106	97	713	1,536	0.99%	70,397	2.18%
139	132	114	113	114	84	696	1,466	-4.56%	70,068	2.09%
109	134	137	118	118	105	721	1,461	-0.34%	70,548	2.07%
114	113	129	130	114	112	712	1,469	0.55%	70,838	2.07%
114	111	107	129	132	105	698	1,405	-4.36%	70,673	1.99%
103	111	105	107	131	122	679	1,374	-2.21%	70,442	1.95%
92	101	105	105	108	121	632	1,310	-4.66%	70,029	1.87%
103	90	96	105	106	100	600	1,252	-4.43%	69,530	1.80%
96	101	85	96	106	98	582	1,214	-3.04%	69,342	1.75%
78	94	96	85	97	98	548	1,175	-3.21%	68,197	1.72%
86	76	89	96	86	90	523	1,136	-3.32%	69,040	1.65%
88	84	72	89	97	79	509	1,105	-2.73%	38,170	2.89%
92	86	80	72	90	90	510	1,083	-1.99%	69,304	1.56%

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 AVERAGE DAILY ATTENDANCE REPORT
 LAST FOUR YEARS*
Unaudited

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Kindergarten				
ADA	102.957	97.774	91.949	92.339
ADM	107.636	105.431	98.082	97.331
Attendance	95.70%	92.70%	93.70%	94.90%
Elementary				
ADA	728.764	691.387	649.915	628.317
ADM	769.735	729.003	682.759	659.911
Attendance	94.70%	94.80%	95.20%	95.20%
Secondary				
ADA	619.793	654.426	676.960	687.633
ADM	693.741	736.698	746.254	754.690
Attendance	89.30%	88.80%	90.70%	91.10%
District Total				
ADA	1,451.514	1,443.587	1,418.824	1,408.289
ADM	1,571.112	1,571.132	1,527.095	1,511.932
Attendance	92.40%	91.90%	92.90%	93.10%

Source: Pennsylvania Department of Education

* Years data is available in this format

ADA - Average Daily Attendance
 ADM - Average Daily Membership

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 NATIONAL SCHOOL LUNCH PROGRAM FREE AND REDUCED DATA
 LAST EIGHT FISCAL YEARS*
Unaudited

<u>Building</u>	Percentage of Participation							
	<u>Fiscal Years</u>							
	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
<u>Columbia Jr./Sr. High School</u>								
Free	14.00%	20.00%	22.73%	26.53%	21.75%	21.65%	28.36%	36.56%
Reduced	5.00%	5.00%	6.74%	9.20%	10.57%	10.39%	9.01%	11.45%
<u>Park Elementary School</u>								
Free	31.00%	38.00%	34.39%	36.02%	38.81%	49.75%	48.78%	53.32%
Reduced	9.00%	10.00%	12.15%	10.92%	11.29%	13.00%	10.64%	8.14%
<u>Taylor Elementary School</u>								
Free	23.00%	22.00%	21.07%	21.35%	20.06%	23.27%	28.82%	35.35%
Reduced	4.00%	5.00%	9.12%	9.94%	8.60%	8.73%	10.07%	4.04%
<u>Total</u>								
Free	23.00%	27.00%	26.56%	28.63%	27.21%	30.19%	34.96%	41.73%
Reduced	6.00%	7.00%	9.19%	9.96%	10.40%	10.82%	9.75%	8.86%

Source: Pennsylvania Department of Education
 School District Data

* Available district data

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 SCHEDULE OF INSURANCE
 FISCAL YEAR ENDED JUNE 30, 2006

Unaudited

COVERAGE	AMOUNTS OR LIMITS	TERM IN YEARS	EXPIRES
1. PROPERTY a. Building and contents	\$36,426,504 \$1,000,000 per occ./ annual aggregate for flood and earthquake Auto Physical Damage - ACV	1	7/1/2007
2. EXCESS PROPERTY a. Building and contents	\$550,000,000 occurrence excess of \$2,000,000 \$9,000,000 annual aggregate flood and earthquake	1	7/1/2007
3. GENERAL LIABILITY a. General aggregate limit	\$2,000,000 per occ./ \$4,000,000 annual aggregate \$5,000 medical	1	7/1/2007
4. Excess liability	\$8,000,000 Each Occurrence per member \$8,000,000 Annual Member Aggregate	1	7/1/2007
5. Boiler and machinery a. Equipment breakdown limit - Property damage - business income - extra expense - service interruption - perishable goods - computer equipment - demolition and ICC - expediting expense - hazardous substances - CFC refrigerants - newly acquired locations	\$50,000,000 included included included included included included \$1,000,000 included \$2,000,000 included \$10,000,000	1	7/1/2007
6. Automobile liability (with personal injury) Uninsured motorists Underinsured motorists	\$1,000,000 \$1,000,000 \$1,000,000 \$5,000 medical	1	7/1/2007
7. Commercial crime Employee dishonesty Forgery/alteration Theft, disappearance & destruction (inside and outside)	\$500,000/loss \$500,000/loss \$100,000/loss	1	7/1/2007

COMPANY	POLICY NUMBER	PREMIUM	COMMENTS
Selective Insurance Co. of the Southeast	S1323581	\$10,859	\$1,000 maintenance deductible \$100,000 SIR
Travelers Excess and Surplus Lines Insurance Company	KTKXSP545D871106	\$9,937	
Selective Insurance Co. of the Southeast	S1323581	(included in Selective property premium)	
Ace/Weschester Fire Ins. Co.	GB06302137	\$3,705	Deductible: N/A Includes: Each occurrence limit General aggregate limit Products completed operations aggregate
Hartford Steam Boiler Inspection and Insurance Company	4910564	\$2,091	\$1,000 deductible
Selective Insurance Co. of the Southeast	S1323581	(included in Selective property premium)	
Travelers Casualty and Surety Company of America	103634368	\$454	Deductible: \$10,000 per occ

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 SCHEDULE OF INSURANCE (continued)
 YEAR ENDED JUNE 30, 2006
 Unaudited

COVERAGE	AMOUNTS OR LIMITS	TERM IN YEARS	EXPIRES
8. School board legal liability	\$1,000,000 Each Claim/Annual Aggregate	1	7/1/2007
9. School accident - interscholastic sports/ football coverage - voluntary student accident coverage	\$1,000,000 maximum benefit (primary excess over \$100) \$1,000,000 maximum benefit	1	8/14/2007
10. Excess liability	\$10,000,000 Each Occurrence per member \$20,000,000 Annual Pool Aggregate	1	7/1/2007
11. School board legal liability	\$1,000,000 Each Claim/Annual Aggregate	1	7/1/2007
10. Storage tank system third party liability and cleanup	\$1,000,000 Each Claim/\$2,000,000 Total for all Claims	1	1/1/2007
11. Workers' compensation insurance	Specific Only Specific Limit: Statutory Empl. Liabil. \$1,000,000/occ./accid.	1	7/1/2007
14. Life insurance	Administrators: 2 times salary Professional staff: \$20,000 maximum Support staff: \$20,000 (full-time)	1	7/1/2007
15. Accidental death and dismemberment	Administrators: 2 times salary Professional staff: \$20,000 maximum Support staff: \$20,000 (full-time)	1	7/1/2007

COMPANY	POLICY NUMBER	PREMIUM	COMMENTS
PSBA	SLL137-06	\$10,275	Non-monetary defense limit: \$125,000/\$250,000 Deductible: \$5,000 Each E&O Claim \$10,000 Nonmonetary Each Claim
Ace American Insurance Company	N01022696-3744-6-K12 Plan AA Plan A	\$6,075	No deductible Two year benefit indemnity period continuous coverage School-time rate - \$22.00 24-hour rate - \$88.00
Princeton Excess & Surplus Lines Ins. Co.	01-A3-FF-0000058-00	\$4,836	Deductible: \$10,000 Includes: Each occurrence limit General aggregate limit Products completed operations aggregate
PSBA	SLL137-05	\$10,082	Non-monetary defense limit: \$100,000/\$250,000 Deductible: \$5,000 Each E&O Claim \$10,000 Nonmonetary Each Claim
Zurich	USC3834720-03	\$1,920	Deductible: \$2,500
Praetorian Insurance Company	H353702654	Total premium: \$79,316 Loss Fund Allocation: \$28,553.76 36% \$31,726.40 40% \$19,035.84 24%	Deductible: \$350,000 each claim
Fortis Benefits		\$0.13 of \$1,000 covered payroll	
Fortis Benefits		\$0.02 of \$1,000 covered payroll	

COLUMBIA BOROUGH SCHOOL DISTRICT, PENNSYLVANIA
 CURRICULUM REVIEW CYCLE

Unaudited

Revised 3/12/01

<u>Curriculum</u>	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>	<u>05-06</u>	<u>06-07</u>
Math	6th	1st	2nd	3rd	4th	5th	6th	1st
Art	6th	1st	2nd	3rd	4th	5th	6th	1st
Music	6th	1st	2nd	3rd	4th	5th	6th	1st
Physical Education	6th	1st	2nd	3rd	4th	5th	6th	1st
Reading/Literature	2nd	2nd	3rd	4th	5th	6th	1st	2nd
Spelling/Hwting.	2nd	2nd	3rd	4th	5th	6th	1st	2nd
English/Writing	2nd	2nd	3rd	4th	5th	6th	1st	2nd
World Language	2nd	2nd	3rd	4th	5th	6th	1st	2nd
Science/Health	3rd	4th	5th	6th	1st	2nd	3rd	4th
Family & Consumer Sci.	3rd	4th	5th	6th	1st	2nd	3rd	4th
Social Studies	4th	5th	6th	1st	2nd	3rd	4th	5th
Tech Ed.	4th	5th	6th	1st	2nd	3rd	4th	5th
Business Ed.	4th	5th	6th	1st	2nd	3rd	4th	5th

First Year - Needs Assessment - Review achievement test scores; look at Chapter 4 Regulations and find areas of
 Second Year - Adapt/Adopt - Design and carry out a plan for reviewing materials on market; decide on purchases;
 Third Year - Implementation - Order; inservice as needed; meet to review implementation; revise curriculum is
 Fourth Year - Utilization - Any comments, suggestions etc., should be directed to department heads.
 Fifth Year - Utilization - Same as fourth year.

Sixth Year - Survey - Review achievement test scores; review research in the area; contact other districts about their

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

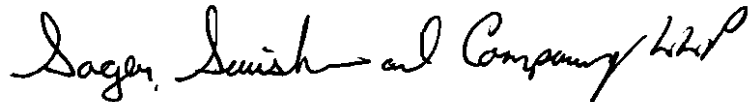
Board of School Directors
Columbia Borough School District
Columbia, PA 17512

We have audited the basic financial statements of the Columbia Borough School District as of and for the year ended June 30, 2006, and have issued our report thereon dated October 10, 2006. These basic financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on the basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Columbia Borough School District taken as a whole. The accompanying schedule of expenditures of federal awards presented on pages SA-2 through SA-3 for the year ended June 30, 2006, which is also the responsibility of the management of Columbia Borough School District, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Columbia, Pennsylvania
October 10, 2006



**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2005</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2006</u>
U.S. DEPARTMENT OF EDUCATION										
Passed Through the Pennsylvania Department of Education:										
Title I	I	84.010	013-05-0092	7/9/04-9/30/05	\$ 455,741	\$ 182,296	\$ 158,701	\$ 23,595	\$ 23,595	\$ --
Title I	I	84.010	013-06-0092	7/1/05-9/30/06	487,344	327,171	--	428,625	428,625	101,454
Title I - School Improvement	I	84.010	042-06-0092	10/26/05-9/30/06	34,559	12,960	--	7,398	7,398	(5,562)
Title I - Academic Achievement	I	84.010	077-05-0092	7/9/04-9/30/06	1,998	444	--	1,998	1,998	1,554
Title IIA	I	84.367	020-05-0092	7/9/04-9/30/05	94,642	31,547	6,615	24,932	24,932	--
Title IIA	I	84.367	020-06-0092	7/1/05-9/30/06	93,671	37,468	--	48,273	48,273	10,805
Title IID	I	84.318	055-05-0092	7/9/04-9/30/06	10,760	4,304	(3,260)	7,564	7,564	--
Title IID	I	84.318	055-06-0092	7/1/05-9/30/06	8,216	3,834	--	1,546	1,546	(2,288)
Title V	I	84.298	011-05-0092	7/9/04-9/30/06	7,788	1,558	404	1,154	1,154	--
Title V	I	84.298	011-06-0092	7/1/05-9/30/06	5,220	5,220	--	5,220	5,220	--
Drug Free Schools Grant	I	84.186	100-05-0092	10/8/04-3/31/06	10,882	3,627	1,493	2,069	2,069	(65)
Drug Free Schools Grant	I	84.186	100-06-0092	8/30/05-9/30/06	11,302	11,302	--	11,302	11,302	--
Passed Through the Lancaster-Lebanon Intermediate Unit No. 13:										
IDEA Grant	I	84.027	62-06-0013	7/1/05-6/30/06	270,204	209,453	--	270,204	270,204	60,751
IDEA Grant	I	84.027	62-05-0013	7/1/04-6/30/05	74,892	<u>74,892</u>	<u>74,892</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL U.S. DEPARTMENT OF EDUCATION						<u>906,076</u>	<u>238,845</u>	<u>833,880</u>	<u>833,880</u>	<u>166,649</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Passed Through the Workforce Investment Board										
Youth Exploration	I	93.558	05-TANF-05	10/1/05-6/30/06	15,000	--	--	15,000	15,000	15,000
Youth Exploration	I	93.558	04-TANF-04	12/1/04-6/30/05	20,000	19,983	18,924	1,059	1,059	--
Passed Through Lancaster Lebanon Intermediate Unit No. 13										
ACCESS Transportation	I	93.778	N/A	7/1/05-6/30/06	N/A	<u>12,969</u>	<u>--</u>	<u>12,969</u>	<u>12,969</u>	<u>--</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						<u>32,952</u>	<u>18,924</u>	<u>29,028</u>	<u>29,028</u>	<u>15,000</u>

SA - 2

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2005</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2006</u>
U. S. DEPARTMENT OF AGRICULTURE										
Passed Through the Pennsylvania Department of Education:										
National School Lunch Program	I	10.555	N/A	7/1/05-6/30/06	N/A	248,391	2,791	245,600	245,600 *	—
School Breakfast Program	I	10.553	N/A	7/1/05-6/30/06	N/A	55,049	689	54,360	54,360 *	—
Passed Through the Pennsylvania Department of Agriculture:										
Value of USDA Donated Commodities	I	10.550	N/A	7/1/04-6/30/05	N/A	(a) <u>39,053</u>	(b) <u>(5,704)</u>	<u>40,124</u>	(c) <u>40,124</u>	(d) <u>(4,633)</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE						<u>342,493</u>	<u>(2,224)</u>	<u>340,084</u>	<u>340,084</u>	<u>(4,633)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS						<u>\$ 1,281,521</u>	<u>\$ 255,545</u>	<u>\$ 1,202,992</u>	<u>\$1,202,992</u>	<u>\$ 177,016</u>

SA - 3

D - Direct Funding
I - Indirect Funding

Test of 25% Rule: (Low Risk Entity)

* Programs Selected for Testing:
Child Nutrition Cluster and IDEA Grant \$570,164

Selected for Testing 570,164
Total Federal Expenditures 1,202,292 = 47.40%

The accompanying notes are an integral part of these financial statements.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

NOTE 2 – VALUE OF USDA DONATED COMMODITIES LEGEND

- a) Total commodities received from the Pennsylvania Department of Agriculture valued at fair market value.
- b) Beginning inventory at July 1, 2005.
- c) Total amount of commodities used.
- d) Ending inventory at June 30, 2006.

NOTE 3 – RECONCILIATION OF ACCRUED OR (DEFERRED) REVENUE

Accrued or (Deferred) Revenue at June 30, 2005	\$251,069
Add: Funds Refunded for Title IIA	<u>4,476</u>
Accrued or (Deferred) Revenue at July 1, 2005	<u>\$255,545</u>

The accompanying notes are an integral part of these financial statements.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of School Directors
Columbia Borough School District
Columbia, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Columbia Borough School District as of and for the year ended June 30, 2006, which collectively comprise the Columbia Borough School District's basic financial statements and have issued our report thereon dated October 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Columbia Borough School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

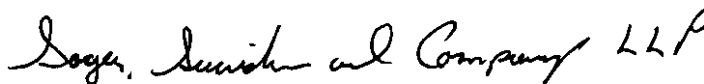
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Columbia Borough School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Columbia Borough School District, in a separate letter dated October 10, 2006.

This report is intended solely for the information and use of the school board, management, the Pennsylvania Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Columbia, Pennsylvania
October 10, 2006



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of School Directors
Columbia Borough School District
Columbia, Pennsylvania

Compliance

We have audited the compliance of Columbia Borough School District with the types of compliance requirements described in the U.S. Office of Management and Budget. (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Columbia Borough School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Columbia Borough School District's management. Our responsibility is to express an opinion on Columbia Borough School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Columbia Borough School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Columbia Borough School District's compliance with those requirements.

In our opinion, Columbia Borough School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Columbia Borough School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Columbia Borough School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school board, management, the Pennsylvania Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Columbia, Pennsylvania
October 10, 2006

A handwritten signature in black ink that reads "Sage, Suresh and Company LLP". The signature is written in a cursive, flowing style.

**COLUMBIA BOROUGH SCHOOL DISTRICT
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

The following is a summary of Auditors' results

1. An unqualified opinion was issued for Columbia Borough School District for the year ended June 30, 2006.
2. No reportable conditions are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.
3. Our audit disclosed no material instances of noncompliance in connection with the financial statements.
4. No reportable conditions relating to the audit of the major federal programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major Federal Awards Programs expresses an unqualified opinion.
6. Our audit disclosed no findings or questioned costs required to be reported under OMB Circular A-133.
7. As of June 30, 2006, Columbia Borough School District had the following programs considered major:

Child Nutrition Cluster	CFDA #10.555/10.553
IDEA Grant	84.027
8. Columbia Borough School District uses Federal Program expenditures equal to or exceeding \$300,000 to identify Type A programs. The district had one Type A program for the year ended June 30, 2006.
9. For the year ended June 30, 2006, Columbia Borough School District was identified as a low risk entity.

Financial Statement Findings:

- There were no current year findings.

Federal Awards Findings and Questioned Costs:

- There were no current year findings or questioned costs.