

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2004

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
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SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
 Officials  
 June 30, 2004

Name	Title	Term Expires
<b>Board of Education</b>		
(Before September 2003 Election)		
Joan Roberts	Board President	2004
Lee Ann Grimley	Board Member	2003
Ron Jaeger	Board Member	2004
Brad Merritt	Board Member	2005
Tami Gillmore	Board Member	2005
(After September 2003 Election)		
Lee Ann Grimley	Board President	2006
Joan Roberts	Board Member	2004
Ron Jaeger	Board Member	2004
Brad Merritt	Board Member	2005
Tami Gillmore	Board Member	2005
<b>School Officials</b>		
Oran Teut	Superintendent	2004
Jill Hopkins	District Secretary/Treasurer	(resigned August, 2003) 2004
Kristin Sander	District Secretary/Treasurer	(October, 2003-May, 2004) 2004
Laurie Howe	District Secretary/Treasurer	(hired May, 2004) 2004
Brian Gruhn	Attorney	2004

**KAY L. CHAPMAN, CPA PC**

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Muscatine, Iowa 52761

563-264-1385

INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Springville Community School District  
Springville, Iowa

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Springville Community School District, Springville, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my 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 Springville Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Springville Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated November 2, 2004 on my consideration of Springville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC  
November 2, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Springville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,232,647 in fiscal 2003 to \$3,272,635 in fiscal 2004, and General Fund expenditures increased from \$3,269,230 in fiscal 2003 to \$3,340,359 in fiscal 2004. The District's General Fund balance decreased from \$307,805 in fiscal 2003 to \$240,081 in fiscal 2004, a 22% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$5,742.00 in fiscal 2003 to \$2,624.00 in fiscal 2004.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Springville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Springville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

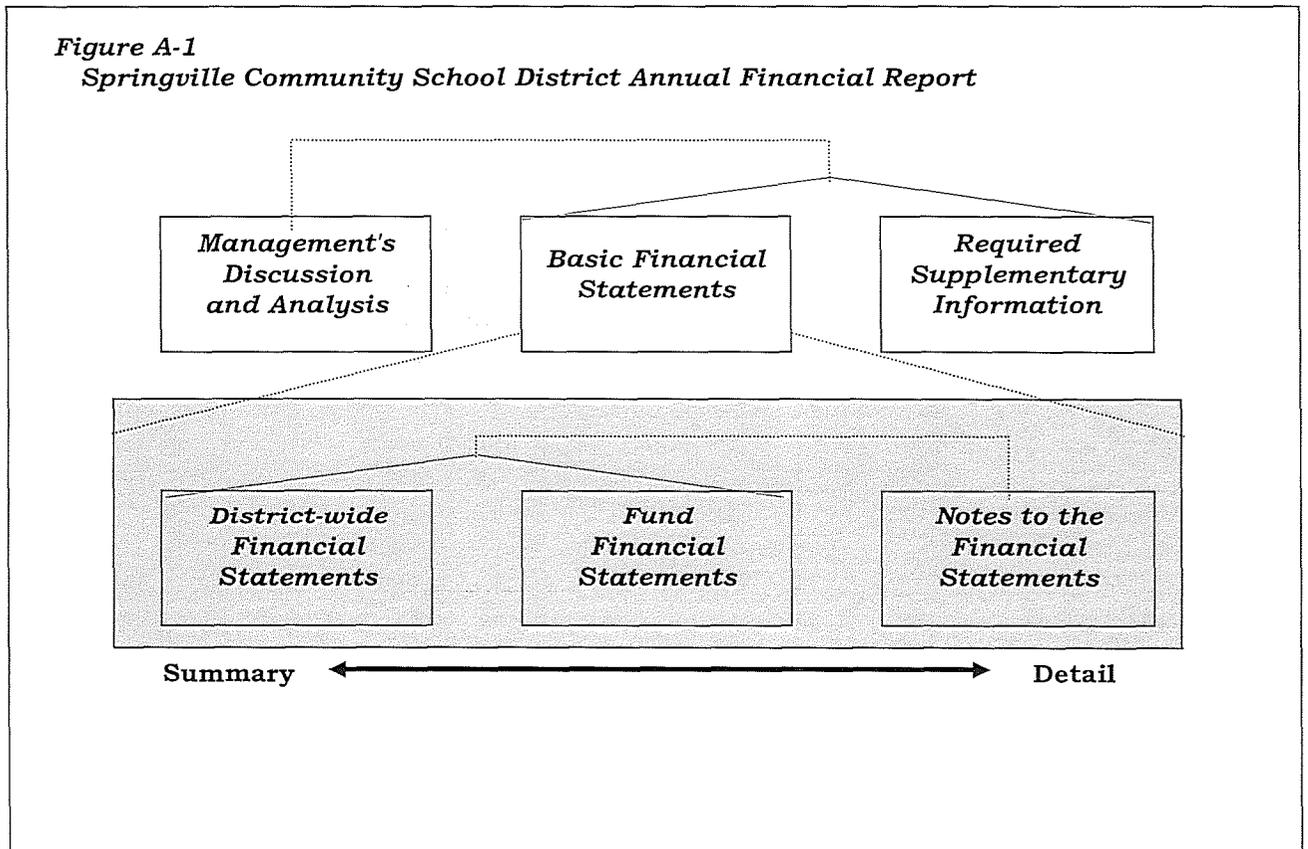


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund 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 special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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 the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial 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 District'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 financial 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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool programs are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Preschool Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

	Figure A-3		Condensed Statement of Net Assets				
	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
Current and other assets	\$ 2,055,274	\$ 2,722,451	\$ 11,476	\$ 20,531	\$ 2,066,750	\$ 2,742,982	-24.65%
Capital assets	<u>1,150,683</u>	<u>1,110,525</u>	<u>10,119</u>	<u>10,318</u>	<u>1,160,802</u>	<u>1,120,843</u>	3.57%
Total assets	<u>3,205,957</u>	<u>3,832,976</u>	<u>21,595</u>	<u>30,849</u>	<u>3,227,552</u>	<u>3,863,825</u>	-16.47%
Long-term obligations	1,302,948	1,418,475	-	-	1,302,948	1,418,475	-8.14%
Other liabilities	<u>1,639,866</u>	<u>1,918,374</u>	<u>8,581</u>	<u>8,912</u>	<u>1,648,447</u>	<u>1,927,286</u>	-14.47%
Total liabilities	<u>2,942,814</u>	<u>3,336,849</u>	<u>8,581</u>	<u>8,912</u>	<u>2,951,395</u>	<u>3,345,761</u>	-11.79%
Net assets							
Invested in capital assets, net of related debt	-	-	10,119	10,318	10,119	10,318	-1.93%
Restricted	118,688	447,797	-	-	118,688	447,797	-73.50%
Unrestricted	<u>144,455</u>	<u>48,330</u>	<u>2,895</u>	<u>11,619</u>	<u>147,350</u>	<u>59,949</u>	145.79%
Total net assets	<u>\$ 263,143</u>	<u>\$ 496,127</u>	<u>\$ 13,014</u>	<u>\$ 21,937</u>	<u>\$ 276,157</u>	<u>\$ 518,064</u>	-46.69%

The District's combined net assets decreased by approximately 46.7%, or \$241,907, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$329,109, or 73.5% from the prior year. The decrease was primarily a result of a refunding of general obligation bonds and a capital project that was done during fiscal 2004.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$87,401, or 145.8%. This increase in unrestricted net assets was a result of the District receiving more revenue than was needed to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4 Change in Net Assets			
	<u>Governmental</u> <u>Activities</u>	<u>Business type</u> <u>Activities</u>	<u>Total School</u> <u>District</u>
Revenues			
Program revenues			
Charges for service and sales	\$ 397,711	\$ 141,983	\$ 539,694
Operating grants, contributions and restricted interest	324,602	47,366	371,968
Capital grants, contributions and restricted interest	30,428	-	30,428
General revenues			
Property tax	1,163,863	-	1,163,863
Unrestricted state grants	1,695,077	-	1,695,077
Unrestricted investment earnings	6,507	81	6,588
Other	<u>10,612</u>	<u>-</u>	<u>10,612</u>
Total revenues	<u>3,628,800</u>	<u>189,430</u>	<u>3,818,230</u>
Program expenses			
Governmental activities			
Instruction	2,432,218	-	2,432,218
Support services	1,050,003	-	1,050,003
Non-instructional programs	-	198,353	198,353
Other expenses	<u>379,563</u>	<u>-</u>	<u>379,563</u>
Total expenses	<u>3,861,784</u>	<u>198,353</u>	<u>4,060,137</u>
Change in net assets	<u><u>\$ (232,984)</u></u>	<u><u>\$ (8,923)</u></u>	<u><u>\$ (241,907)</u></u>

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$3,628,800 and expenses were \$3,861,784. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 2,432,218	\$ 1,818,511
Support services	1,050,003	1,048,123
Other expenses	<u>379,563</u>	<u>242,409</u>
Total expenses	<u>\$ 3,861,784</u>	<u>\$ 3,109,043</u>

- The cost financed by users of the District’s programs was \$397,711.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$355,030.
- The net cost of governmental activities was financed with \$1,163,863 in property and other taxes and \$1,695,077 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$189,430 and expenses were \$198,353. The District’s business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund, which the District has obligated for replacement of obsolete kitchen equipment in the next fiscal year.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Springville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$420,351, well below last year’s ending fund balances of \$807,881. However, the primary reason for the decrease in combined fund balances in fiscal 2004 is due to costs associated with refunding bonds and the completion of a capital project.

**Governmental Fund Highlights**

- The District’s declining General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District’s increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

- The General Fund balance decreased from \$307,805 to \$240,081, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.

### **Proprietary Fund Highlights**

Enterprise Fund net assets decreased from \$21,937 at June 30, 2003 to \$13,014 at June 30, 2004, representing a decrease of approximately 41%. For fiscal 2004, the District increased meal prices, resulting in the increase in net assets. The District also revamped its school lunch program to provide students with the option of a salad bar at lunch with little additional cost to the program. This change resulted in an increase in meals served and a related increase in revenue and net assets.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Springville Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the capital project and staffing requirements.

The District's receipts were \$86,318 more than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the Other Expenditures functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2004, the District had invested \$1,160,802, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$294,093.

The original cost of the District's capital assets was \$4,805,857. Governmental funds account for \$4,778,983, with the remainder of \$26,874 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building and improvements category. The District completed a heating and cooling project during FY04 which increased the building and improvements by \$261,086.

Figure A-6 Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$ 215,023	\$ 215,023	\$ -	\$ -	\$ 215,023	\$ 215,023	0.00%
Buildings and improvements	648,177	438,703	-	-	648,177	438,703	47.75%
Furniture and equipment	<u>287,483</u>	<u>456,799</u>	<u>10,119</u>	<u>10,318</u>	<u>297,602</u>	<u>467,117</u>	-36.29%
Totals	<u>\$1,150,683</u>	<u>\$1,110,525</u>	<u>\$ 10,119</u>	<u>\$ 10,318</u>	<u>\$1,160,802</u>	<u>\$1,120,843</u>	3.57%

### Long-Term Debt

At June 30, 2004, the District had \$1,302,948 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In July 2003 the District issued general obligation bonds of \$740,000 for the purpose of refinancing the bond issue from 1996. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are not recorded by the District. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$725,000 at June 30, 2004.

Figure A-7  
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	2004	2003	2003-2004
General obligation bonds	\$ 740,000	\$ 830,000	-10.84%
Capital loan notes	500,000	550,000	-9.09%
Early retirement	<u>62,948</u>	<u>38,475</u>	63.61%
Total	<u>\$ 1,302,948</u>	<u>\$ 1,418,475</u>	-8.14%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Linn County has advised the District that, due to increased property development and the recent completion of property revaluation assessments, the District's total taxable valuation will increase 5 percent for property tax collected in fiscal 2005.
- Although the District has experienced declining enrollment for the past three years, the District expects a slight increase in enrollment due to a new housing development in progress within the District.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus and possibly one van must be replaced during fiscal 2005 at a cost of \$75,000. To pay for these vehicles, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.
- Fiscal 2004 was the first year of a two-year contract with the Springville Education Teacher Association (SETA). The District will negotiate a new agreement during fiscal 2005. Settlements in excess of "new money" or allowable growth in state funding could have an adverse effect on the District's General Fund budget and related fund balance.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laurie Howe, District Secretary/Treasurer and Business Manager, Springville Community School District, 400 Academy Street, Springville, Iowa 52336.

## Basic Financial Statements

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2004

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 750,894	\$ 10,925	\$ 761,819
Receivables			
Property tax			
Delinquent	14,871	-	14,871
Succeeding year	1,230,202	-	1,230,202
Due from other governments	52,219	-	52,219
Prepaid insurance	7,088	-	7,088
Inventories	-	551	551
Capital assets, net of accumulated depreciation	1,150,683	10,119	1,160,802
Total assets	3,205,957	21,595	3,227,552
<b>LIABILITIES</b>			
Accounts payable	118,137	-	118,137
Salaries and benefits payable	283,166	8,581	291,747
Due to other governments	3,418	-	3,418
Accrued interest payable	4,943	-	4,943
Deferred revenue - succeeding year property tax	1,230,202	-	1,230,202
Long-term liabilities			
Portion due within one year			
Bonds payable	115,000	-	115,000
Capital loan notes payable	50,000	-	50,000
Early retirement payable	41,842	-	41,842
Portion due after one year			
Bonds payable	625,000	-	625,000
Capital loan notes payable	450,000	-	450,000
Early retirement payable	21,106	-	21,106
Total liabilities	2,942,814	8,581	2,951,395
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	10,119	10,119
Restricted for			
Management levy	63,311	-	63,311
Other special revenue purposes	55,248	-	55,248
Physical plant and equipment levy	-	-	-
Debt service	129	-	129
Unrestricted	144,455	2,895	147,350
Total net assets	\$ 263,143	\$ 13,014	\$ 276,157

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2004

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 1,812,498	\$ 297,589	\$ 155,589	\$ 27,217	\$ (1,332,103)	\$ -	\$ (1,332,103)
Special instruction	367,951	17,532	27,167	-	(323,252)	-	(323,252)
Other instruction	251,769	82,590	6,023	-	(163,156)	-	(163,156)
	<u>2,432,218</u>	<u>397,711</u>	<u>188,779</u>	<u>27,217</u>	<u>(1,818,511)</u>	<u>-</u>	<u>(1,818,511)</u>
Support services							
Student services	15,732	-	-	-	(15,732)	-	(15,732)
Instructional staff services	129,454	-	-	-	(129,454)	-	(129,454)
Administration services	468,447	-	-	-	(468,447)	-	(468,447)
Operation and maintenance of plant services	298,605	-	-	-	(298,605)	-	(298,605)
Transportation services	137,765	-	1,880	-	(135,885)	-	(135,885)
	<u>1,050,003</u>	<u>-</u>	<u>1,880</u>	<u>-</u>	<u>(1,048,123)</u>	<u>-</u>	<u>(1,048,123)</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures							
Facilities acquisition	5,254	-	-	3,211	(2,043)	-	(2,043)
Long-term debt interest	75,812	-	-	-	(75,812)	-	(75,812)
AEA flowthrough	133,943	-	133,943	-	-	-	-
Depreciation (unallocated) *	164,554	-	-	-	(164,554)	-	(164,554)
	<u>379,563</u>	<u>-</u>	<u>133,943</u>	<u>3,211</u>	<u>(242,409)</u>	<u>-</u>	<u>(242,409)</u>
Total governmental activities	<u>3,861,784</u>	<u>397,711</u>	<u>324,602</u>	<u>30,428</u>	<u>(3,109,043)</u>	<u>-</u>	<u>(3,109,043)</u>

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2004

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Business Type activities							
Non-instructional programs							
Nutrition services	\$ 166,857	\$ 116,355	\$ 47,366	\$ -	\$ -	\$ (3,136)	\$ (3,136)
Preschool program	<u>31,496</u>	<u>25,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,868)</u>	<u>(5,868)</u>
Total business type activities	<u>198,353</u>	<u>141,983</u>	<u>47,366</u>	<u>-</u>	<u>-</u>	<u>(9,004)</u>	<u>(9,004)</u>
Total	<u>\$4,060,137</u>	<u>\$ 539,694</u>	<u>\$ 371,968</u>	<u>\$ 30,428</u>	<u>(3,109,043)</u>	<u>(9,004)</u>	<u>(3,118,047)</u>
 <b><u>General Revenues</u></b>							
Property tax levied for							
General purposes					937,906	-	937,906
Capital projects					81,337	-	81,337
Debt service					144,620	-	144,620
Unrestricted state grants					1,695,077	-	1,695,077
Unrestricted investment earnings					6,507	81	6,588
Other					<u>10,612</u>	<u>-</u>	<u>10,612</u>
Total general revenues					<u>2,876,059</u>	<u>81</u>	<u>2,876,140</u>
Change in net assets					(232,984)	(8,923)	(241,907)
Net assets, beginning of year, as restated					<u>496,127</u>	<u>21,937</u>	<u>518,064</u>
Net assets, end of year					<u>\$ 263,143</u>	<u>\$ 13,014</u>	<u>\$ 276,157</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2004

	<u>General</u>	<u>Management</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and pooled investments	\$ 561,261	\$ 125,862	\$ 63,771	\$ 750,894
Receivables				
Property tax				
Delinquent	11,479	397	2,995	14,871
Succeeding year	918,198	40,000	272,004	1,230,202
Prepaid insurance	7,088	-	-	7,088
Due from other funds	1,788	-	-	1,788
Due from other governments	52,219	-	-	52,219
Total assets and other debits	<u>\$ 1,552,033</u>	<u>\$ 166,259</u>	<u>\$ 338,770</u>	<u>\$ 2,057,062</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Due to other funds	\$ -	\$ -	\$ 1,788	\$ 1,788
Accounts payable	107,170	-	10,967	118,137
Due to other governments	3,418	-	-	3,418
Salaries and benefits payable	283,166	-	-	283,166
Deferred revenue				
Succeeding year property tax	918,198	40,000	272,004	1,230,202
Total liabilities	<u>1,311,952</u>	<u>40,000</u>	<u>284,759</u>	<u>1,636,711</u>
Fund balances				
Reserved for				
Iowa Early Intervention Block Grant	1,776	-	-	1,776
Debt service	-	-	129	129
Unreserved, undesignated				
Governmental funds	238,305	-	-	238,305
Special revenue funds	-	126,259	53,882	180,141
Total fund balances	<u>240,081</u>	<u>126,259</u>	<u>54,011</u>	<u>420,351</u>
Total liabilities and fund balances	<u>\$ 1,552,033</u>	<u>\$ 166,259</u>	<u>\$ 338,770</u>	<u>\$ 2,057,062</u>

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Assets  
June 30, 2004

Exhibit D

<b>Total fund balances of governmental funds</b>	\$ 420,351
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,150,683
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a Liability in the governmental funds.	(4,943)
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,302,948)</u>
<b>Net assets of governmental activities</b>	<u>\$ 263,143</u>

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2004

Exhibit E

	<u>General</u>	<u>Management</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 907,994	\$ 29,912	\$ 225,957	\$ 1,163,863
Tuition	299,433	-	-	299,433
Other	18,312	1,145	95,580	115,037
State sources	1,967,842	-	-	1,967,842
Federal sources	79,054	-	3,211	82,265
Total revenues	<u>3,272,635</u>	<u>31,057</u>	<u>324,748</u>	<u>3,628,440</u>
Expenditures				
Current				
Instruction				
Regular instruction	1,653,485	9,636	66,812	1,729,933
Special instruction	365,774	-	-	365,774
Other instruction	239,802	-	-	239,802
	<u>2,259,061</u>	<u>9,636</u>	<u>66,812</u>	<u>2,335,509</u>
Support services				
Student support services	15,448	-	-	15,448
Instructional staff services	116,071	-	-	116,071
Administration services	435,791	35,801	15,624	487,216
Operation & maintenance of plant services	292,389	4,396	-	296,785
Transportation services	87,656	6,489	-	94,145
	<u>947,355</u>	<u>46,686</u>	<u>15,624</u>	<u>1,009,665</u>
Other expenditures				
Facilities acquisition	-	-	322,540	322,540
Long-term debt				
Principal	-	-	155,000	155,000
Interest and fiscal charges	-	-	74,673	74,673
AEA flowthrough	133,943	-	-	133,943
	<u>133,943</u>	<u>-</u>	<u>552,213</u>	<u>686,156</u>
Total expenditures	<u>3,340,359</u>	<u>56,322</u>	<u>634,649</u>	<u>4,031,330</u>
Deficiency of revenues under expenditures	<u>(67,724)</u>	<u>(25,265)</u>	<u>(309,901)</u>	<u>(402,890)</u>
Other financing sources				
Refunding bonds issued	-	-	740,000	740,000
Payment to refunding escrow agent	-	-	(725,000)	(725,000)
Compensation for loss of fixed assets	-	-	360	360
Total other financing sources	<u>-</u>	<u>-</u>	<u>15,360</u>	<u>15,360</u>
Deficiency of revenues and other financing sources under expenditures	<u>(67,724)</u>	<u>(25,265)</u>	<u>(294,541)</u>	<u>(387,530)</u>
Fund balance, beginning of year	307,805	151,524	348,552	807,881
Fund balance, end of year	<u>\$ 240,081</u>	<u>\$ 126,259</u>	<u>\$ 54,011</u>	<u>\$ 420,351</u>

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2004

Exhibit F

**Net change in fund balances - total governmental funds** \$ (387,530)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 332,910	
Depreciation expense	<u>(292,752)</u>	40,158

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(740,000)	
Repaid	<u>880,000</u>	140,000

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, as follows:

Early retirement		(24,473)
------------------	--	----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(1,139)

**Change in net assets of governmental activities** \$ (232,984)

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
 Statement of Net Assets  
 Proprietary Funds  
 June 30, 2004

Exhibit G

	<u>Nonmajor Enterprise</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 10,925
Inventories	551
Capital assets, net of accumulated depreciation	<u>10,119</u>
Total assets	<u>21,595</u>
 <b>LIABILITIES</b>	
Salaries and benefits payable	<u>8,581</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	10,119
Unreserved retained earnings	<u>2,895</u>
Total net assets	<u><u>\$ 13,014</u></u>

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 141,983</u>
Operating expenses	
Non-instructional programs	
Salaries	80,351
Benefits	13,453
Purchased services	378
Supplies	98,942
Equipment repairs	456
Miscellaneous	3,432
Depreciation	<u>1,341</u>
Total operating expenses	<u>198,353</u>
Operating loss	<u>(56,370)</u>
Non-operating revenue	
Interest income	81
State sources	2,107
Federal sources	<u>45,259</u>
Total non-operating revenue	<u>47,447</u>
Change in net assets	(8,923)
Net assets, beginning of year	<u>21,937</u>
Net assets, end of year	<u><u>\$ 13,014</u></u>

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 141,983
Cash payments to employees for services	(93,268)
Cash payments to suppliers for goods and services	(92,315)
Net cash used in operating activities	<u>(43,600)</u>
Cash flows from non-capital financing activities	
State grants received	2,107
Federal grants received	33,932
Net cash provided by non-capital financing activities	<u>36,039</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(1,142)</u>
Cash flows from investing activities	
Interest on investments	<u>81</u>
Net decrease in cash and cash equivalents	(8,622)
Cash and cash equivalents, beginning of year	<u>19,547</u>
Cash and cash equivalents, end of year	<u>\$ 10,925</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (56,370)
Adjustments to reconcile operating loss to net cash used in operating activities	
Commodities used	11,327
Depreciation	1,341
Decrease in inventories	433
(Decrease) in accounts payable	(867)
Increase in salaries and benefits payable	536
Net cash used in operating activities	<u>\$ (43,600)</u>

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2004, the District received \$11,327 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2004

**Note 1. Summary of Significant Accounting Policies**

The Springville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Springville, Iowa, and the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Springville Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Springville Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is utilized to account for revenue generated by the Management Levy and the corresponding expenditures.

The District reports no major proprietary funds.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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 revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and early retirement benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. 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. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$2,500
Buildings	\$2,500
Improvements other than buildings	\$2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2004. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures exceeded the amount budgeted in the Other Expenditures function; however, the District did not exceed its General Fund unspent authorized budget.

**Note 2. Cash and Pooled Investments**

The District's deposits at June 30, 2004, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	Physical Plant and Equipment Levy	\$ 50,948
Debt Service	Physical Plant and Equipment Levy	<u>64,847</u>
Total		<u>\$ 115,795</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 215,023	\$ -	\$ -	\$ 215,023
Capital assets being depreciated:				
Buildings and improvements	2,580,604	261,086	-	2,841,690
Furniture and equipment	<u>1,687,985</u>	<u>71,824</u>	<u>(37,539)</u>	<u>1,722,270</u>
Total capital assets being depreciated	<u>4,268,589</u>	<u>332,910</u>	<u>(37,539)</u>	<u>4,563,960</u>
Less accumulated depreciation for:				
Buildings and improvements	2,141,901	51,612	-	2,193,513
Furniture and equipment	<u>1,231,186</u>	<u>241,140</u>	<u>(37,539)</u>	<u>1,434,787</u>
Total accumulated depreciation	<u>3,373,087</u>	<u>292,752</u>	<u>(37,539)</u>	<u>3,628,300</u>
Total capital assets being depreciated, net	<u>895,502</u>	<u>40,158</u>	<u>-</u>	<u>935,660</u>
Governmental activities capital assets, net	<u>\$1,110,525</u>	<u>\$ 40,158</u>	<u>\$ -</u>	<u>\$1,150,683</u>
<u>Business-type activities</u>				
Furniture and equipment	\$ 25,732	\$ 1,142	\$ -	\$ 26,874
Less accumulated depreciation	<u>15,414</u>	<u>1,341</u>	<u>-</u>	<u>16,755</u>
Business-type activities capital assets, net	<u>\$ 10,318</u>	<u>\$ (199)</u>	<u>\$ -</u>	<u>\$ 10,119</u>

Depreciation expense was charged to the following functions:

#### Governmental activities

Instruction	
Regular	\$ 47,918
Special	2,177
Other	11,967
Support services	
Student	284
Instructional staff	13,383
Administration	7,029
Operation and maintenance of plant	1,820
Transportation	43,620
Unallocated depreciation	<u>164,554</u>
Total governmental activities depreciation expense	<u>\$ 292,752</u>

#### Business-type activities

Food services	<u>\$ 1,341</u>
---------------	-----------------

During the year ended June 30, 2004, the District hired an outside company to perform a physical inventory of its capital assets. Also during the year ended June 30, 2004 the District changed its criteria for determining capitalized assets. Prior to the fiscal year ended June 30, 2004 the District included all assets costing more than \$500 in the General Fixed Asset Account Group. However, beginning in FY04 the District only includes items costing in excess of the limits summarized in Note 1, item D as capital assets. Due to these changes, the District's beginning cost of capital assets in the year ended June 30, 2004 is less than the amounts reported on the financial statements of the prior fiscal year by \$297,994.

**Note 5. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 830,000	\$ 740,000	\$(830,000)	\$ 740,000	\$ 115,000
Capital loan notes	550,000	-	(50,000)	500,000	50,000
Early retirement	38,475	39,450	(14,977)	62,948	41,842
Totals	<u>\$ 1,418,475</u>	<u>\$ 779,450</u>	<u>\$(894,977)</u>	<u>\$ 1,302,948</u>	<u>\$ 206,842</u>

Refunded General Obligation Bonds

On April 1, 2004, the District issued \$740,000 of general obligation refunding bonds. These bonds were used to refund the District's general obligation bonds dated February 1, 1996. The 1996 general obligation bonds were called for redemption as of June 1, 2004 and have all been retired as of June 30, 2004. A summary of the District's June 30, 2004 general obligation refunding bonded indebtedness is as follows:

Year Ending June 30,	Bond issue of April 1, 2004			
	Interest Rates	Principal	Interest	Total
2005	1.210%	\$ 115,000	\$ 16,857	\$ 131,857
2006	1.460%	125,000	13,057	138,057
2007	1.780%	120,000	11,232	131,232
2008	2.110%	125,000	9,096	134,096
2009	2.380%	125,000	6,460	131,460
2010	2.680%	<u>130,000</u>	<u>3,484</u>	<u>133,484</u>
Totals		<u>\$ 740,000</u>	<u>\$ 60,186</u>	<u>\$ 800,186</u>

## Capital Loan Notes

On June 18, 2003, the District issued capital loan notes in the amounts of \$550,000. Proceeds of the notes were used for improvements to the heating and cooling system at the elementary building. The capital loan notes are scheduled to be repaid as follows:

Year Ending	Interest Rate	Principal	Interest	Total
<u>June 30,</u>				
2005	2.2	\$ 50,000	\$ 13,747	\$ 63,747
2006	2.2	50,000	12,648	62,648
2007	2.2	50,000	11,547	61,547
2008	2.45	55,000	10,448	65,448
2009	2.7	55,000	9,100	64,100
2010	2.9	55,000	7,615	62,615
2011	3.1	60,000	6,020	66,020
2012	3.25	60,000	4,160	64,160
2013	3.4	<u>65,000</u>	<u>2,210</u>	<u>67,210</u>
Totals		<u>\$ 500,000</u>	<u>\$ 77,495</u>	<u>\$ 577,495</u>

### **Note 6. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$112,788, \$107,163 and \$115,858 respectively, equal to the required contributions for each year.

### **Note 7. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **Note 8. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$133,943 adjusting entry to the cash basis financial statements.

## **Note 9. Accounting Change and Restatements**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	Management	Nonmajor	
Net assets June 30, 2003, as previously reported	\$ 307,805	\$ 151,524	\$ 348,552	\$ 807,881
GASB Interpretation 6 adjustments	-	-	-	-
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 307,805</u>	<u>\$ 151,524</u>	<u>\$ 348,552</u>	807,881
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$3,373,087				1,110,525
Long-term liabilities:				
General obligation bonds			\$ (830,000)	
Capital loan notes			(550,000)	
Early retirement			<u>(38,475)</u>	(1,418,475)
Accrued interest payable				<u>(3,804)</u>
Net assets July 1, 2003, as restated				<u>\$ 496,127</u>

**Note 10. Deficit Balance**

The District had an unreserved, undesignated fund deficit of \$1,366 in the Physical Plant and Equipment Levy Fund at June 30, 2004.

Required Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances  
 Budget and Actual  
 All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2004

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>			
Revenues						
Local sources	\$ 1,578,333	\$ 142,064	\$ 1,720,397	\$ 1,689,957	\$ 1,689,957	\$ 30,440
State sources	1,967,842	2,107	1,969,949	1,952,395	1,952,395	17,554
Federal sources	82,265	45,259	127,524	89,200	89,200	38,324
Total revenues	<u>3,628,440</u>	<u>189,430</u>	<u>3,817,870</u>	<u>3,731,552</u>	<u>3,731,552</u>	<u>86,318</u>
Expenditures						
Instruction	2,335,509	-	2,335,509	2,547,452	2,547,452	211,943
Support services	1,009,665	-	1,009,665	1,005,000	1,080,000	70,335
Non-instructional programs	-	198,353	198,353	226,104	226,104	27,751
Other expenditures	686,156	-	686,156	409,236	600,000	(86,156)
Total expenditures	<u>4,031,330</u>	<u>198,353</u>	<u>4,229,683</u>	<u>4,187,792</u>	<u>4,453,556</u>	<u>223,873</u>
Deficiency of revenues under expenditures	(402,890)	(8,923)	(411,813)	(456,240)	(722,004)	310,191
Other financing sources, net	<u>15,360</u>	<u>-</u>	<u>15,360</u>	<u>-</u>	<u>-</u>	<u>15,360</u>
Deficiency of revenues and other financing sources under expenditures	(387,530)	(8,923)	(396,453)	(456,240)	(722,004)	325,551
Balance, beginning of year	<u>807,881</u>	<u>21,937</u>	<u>829,818</u>	<u>509,931</u>	<u>509,931</u>	<u>319,887</u>
Balance, end of year	<u>\$ 420,351</u>	<u>\$ 13,014</u>	<u>\$ 433,365</u>	<u>\$ 53,691</u>	<u>\$ (212,073)</u>	<u>\$ 645,438</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a basis consistent with U.S. generally accepted accounting principles.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$265,764.

During the year ended June 30, 2004, District expenditures exceeded the amounts budgeted in the Other Expenditures function; however, the General Fund expenditures did not exceed the unspent authorized budget.

Other Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

Schedule 1

	Special Revenue			
	Student	Physical Plant and Equipment	Debt	Total
	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u></u>
<b>ASSETS</b>				
Cash and pooled investments	\$ 57,715	\$ 6,056	\$ -	\$ 63,771
Receivables				
Property tax				
Current year delinquent	-	1,078	1,917	2,995
Succeeding year	-	131,691	140,313	272,004
Total assets	<u>\$ 57,715</u>	<u>\$ 138,825</u>	<u>\$ 142,230</u>	<u>\$ 338,770</u>
 <b>LIABILITIES AND FUND EQUITY</b>				
Liabilities				
Due to other fund	\$ -	\$ -	\$ 1,788	\$ 1,788
Accounts payable	2,467	8,500	-	10,967
Deferred revenue				
Succeeding year property tax	-	131,691	140,313	272,004
Total liabilities	2,467	140,191	142,101	284,759
Fund Equity				
Unreserved fund balances	55,248	(1,366)	129	54,011
Total liabilities and fund equity	<u>\$ 57,715</u>	<u>\$ 138,825</u>	<u>\$ 142,230</u>	<u>\$ 338,770</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2004

Schedule 2

	Special Revenue				
	Student Activity	Physical Plant and Equipment Levy	Capital Project	Debt Service	Total
<b>Revenues</b>					
Local sources					
Local taxes	\$ -	\$ 81,337	\$ -	\$ 144,620	\$ 225,957
Other	82,590	11,632	695	663	95,580
Federal sources	-	3,211	-	-	3,211
<b>Total revenues</b>	<u>82,590</u>	<u>96,180</u>	<u>695</u>	<u>145,283</u>	<u>324,748</u>
<b>Expenditures</b>					
Instruction					
Other instruction	66,812	-	-	-	66,812
Support services					
Administration services	-	15,624	-	-	15,624
Other expenditures					
Facilities acquisition and construction	-	102,624	219,916	-	322,540
Long-term debt					
Principal	-	-	-	155,000	155,000
Interest and fiscal charges	-	-	-	74,673	74,673
<b>Total expenditures</b>	<u>66,812</u>	<u>118,248</u>	<u>219,916</u>	<u>229,673</u>	<u>634,649</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>15,778</u>	<u>(22,068)</u>	<u>(219,221)</u>	<u>(84,390)</u>	<u>(309,901)</u>
<b>Other financing sources (uses)</b>					
Compensation for loss of fixed assets	-	360	-	-	360
Refunding bonds issued	-	-	-	740,000	740,000
Payment to refunding escrow agent	-	-	-	(725,000)	(725,000)
Operating transfer in	-	-	50,948	64,847	115,795
Operating transfer (out)	-	(115,795)	-	-	(115,795)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(115,435)</u>	<u>50,948</u>	<u>79,847</u>	<u>15,360</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)</b>	<u>15,778</u>	<u>(137,503)</u>	<u>(168,273)</u>	<u>(4,543)</u>	<u>(294,541)</u>
<b>Fund balances, beginning of year</b>	<u>39,470</u>	<u>136,137</u>	<u>168,273</u>	<u>4,672</u>	<u>348,552</u>
<b>Fund balances, end of year</b>	<u>\$ 55,248</u>	<u>\$ (1,366)</u>	<u>\$ -</u>	<u>\$ 129</u>	<u>\$ 54,011</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
 Combining Statement of Net Assets  
 Nonmajor Proprietary Funds  
 June 30, 2004

Schedule 3

	Enterprise		
	School Nutrition	Preschool	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,297	\$ 6,628	\$10,925
Inventories	551	-	551
Capital assets, net of accumulated depreciation	<u>10,119</u>	<u>-</u>	<u>10,119</u>
Total assets	<u>14,967</u>	<u>6,628</u>	<u>21,595</u>
<b>LIABILITIES</b>			
Salaries and benefits payable	<u>5,151</u>	<u>3,430</u>	<u>8,581</u>
<b>NET ASSETS</b>			
Invested in capital assets	10,119	-	10,119
Unrestricted	<u>(303)</u>	<u>3,198</u>	<u>2,895</u>
Total net assets	<u>\$ 9,816</u>	<u>\$ 3,198</u>	<u>\$13,014</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
 Nonmajor Proprietary Funds  
 For the Year Ended June 30, 2004

Schedule 4

	Enterprise		
	School Nutrition	Preschool	Total
Operating revenue			
Local sources			
Charges for service	<u>\$ 116,355</u>	<u>\$ 25,628</u>	<u>\$ 141,983</u>
Operating expenses			
Non-instructional programs			
Salaries	55,489	24,862	80,351
Benefits	7,671	5,782	13,453
Purchased services	378	-	378
Supplies	98,135	807	98,942
Equipment repairs	456	-	456
Miscellaneous	3,387	45	3,432
Depreciation	<u>1,341</u>	<u>-</u>	<u>1,341</u>
Total operating expenses	<u>166,857</u>	<u>31,496</u>	<u>198,353</u>
Operating loss	<u>(50,502)</u>	<u>(5,868)</u>	<u>(56,370)</u>
Non-operating revenue			
Interest income	35	46	81
State sources	2,107	-	2,107
Federal sources	<u>45,259</u>	<u>-</u>	<u>45,259</u>
Total non-operating revenue	<u>47,401</u>	<u>46</u>	<u>47,447</u>
Change in net assets	(3,101)	(5,822)	(8,923)
Net assets, beginning of year	<u>12,917</u>	<u>9,020</u>	<u>21,937</u>
Net assets, end of year	<u>\$ 9,816</u>	<u>\$ 3,198</u>	<u>\$ 13,014</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2004

Schedule 5

	Enterprise		
	School Nutrition	Preschool	Total
Cash flows from operating activities			
Cash received from sale of services	\$ 116,355	\$ 25,628	\$ 141,983
Cash payments to employees for services	(63,117)	(30,151)	(93,268)
Cash payments to suppliers for goods and services	<u>(91,450)</u>	<u>(865)</u>	<u>(92,315)</u>
Net cash used in operating activities	<u>(38,212)</u>	<u>(5,388)</u>	<u>(43,600)</u>
Cash flows from non-capital financing activities			
State grants received	2,107	-	2,107
Federal grants received	<u>33,932</u>	<u>-</u>	<u>33,932</u>
Net cash provided by non-capital financing activities	<u>36,039</u>	<u>-</u>	<u>36,039</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(1,142)</u>	<u>-</u>	<u>(1,142)</u>
Cash flows from investing activities			
Interest on investments	<u>35</u>	<u>46</u>	<u>81</u>
Net decrease in cash and cash equivalents	(3,280)	(5,342)	(8,622)
Cash and cash equivalents, beginning of year	<u>7,577</u>	<u>11,970</u>	<u>19,547</u>
Cash and cash equivalents, end of year	<u>\$ 4,297</u>	<u>\$ 6,628</u>	<u>\$ 10,925</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>			
Operating loss	\$ (50,502)	\$ (5,868)	\$ (56,370)
Adjustments to reconcile operating loss to net cash used in operating activities			
Commodities used	11,327	-	11,327
Depreciation	1,341	-	1,341
Decrease in inventories	433	-	433
(Decrease) in accounts payable	(854)	(13)	(867)
Increase in salaries and benefits payable	<u>43</u>	<u>493</u>	<u>536</u>
Net cash used in operating activities	<u>\$ (38,212)</u>	<u>\$ (5,388)</u>	<u>\$ (43,600)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$11,327 of federal commodities.

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2004

Schedule 6

Account	Balance, Beginning of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Intrafund <u>Transfers</u>	Balance, End of <u>Year</u>
District wide					
Interest	\$ 750	\$ 431	\$ 21	\$ -	\$ 1,160
Miscellaneous student activities	673	-	-	-	673
Book fair	1,974	4,357	5,873	-	458
Elementary					
Pictures	3,448	2,612	2,938	-	3,122
Jump Rope for Heart	54	1,004	945	-	113
Bob Rowen memorial	853	-	853	-	-
Instrumental resale	248	1,146	286	-	1,108
Student Senate	1,915	2,329	1,277	-	2,967
Secondary					
Drama	482	491	684	-	289
Gate receipts/officials	6,427	20,567	17,629	(646)	8,719
Activities director	512	726	1,487	311	62
Weightroom	146	-	-	-	146
Boys basketball	-	2,278	1,686	-	592
Boys football	367	1,058	153	-	1,272
Boys baseball	23	1,438	21	-	1,440
Boys track	-	30	27	-	3
Golf	198	20	-	-	218
Wrestling	304	-	90	-	214
Girls basketball	1,821	1,649	2,654	-	816
Girls volleyball	1,118	3,332	3,130	-	1,320
Girls softball	(334)	2,937	821	335	2,117
Girls track	275	2,673	2,457	-	491
Pictures	1,539	861	58	20	2,362

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2004

Schedule 6

Account	Balance, Beginning of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Intrafund <u>Transfers</u>	Balance, End of <u>Year</u>
Secondary (continued)					
Library	\$ -	\$ 530	\$ -	\$ (245)	\$ 285
Garden project	1,130	-	155	-	975
Annual	-	3,619	2,401	(201)	1,017
Choir trip	-	114	-	-	114
School cents	2,845	2,400	141	79	5,183
Vocal resale	-	2,428	22	(1,812)	594
Instrumental resale	-	2,115	310	(160)	1,645
Supply store	-	125	481	2,319	1,963
National Honor Society	306	108	254	-	160
SODA	508	-	240	-	268
Student Senate - MS	214	56	32	-	238
Student Senate - HS	539	1,345	1,462	-	422
Class of:					
2003	650	-	650	-	-
2004	3,027	-	2,467	-	560
2005	1,304	4,841	4,213	-	1,932
2006	729	4,218	1,623	-	3,324
2007	368	-	12	-	356
2008	1,338	1,158	1,604	-	892
2009	902	2,339	1,196	-	2,045
2010	368	3,114	1,885	-	1,597
Mini society	700	-	-	-	700
Cheerleading	1,749	4,141	4,574	-	1,316
Totals	<u>\$ 39,470</u>	<u>\$ 82,590</u>	<u>\$ 66,812</u>	<u>\$ -</u>	<u>\$ 55,248</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Four Years

Schedule 7

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues				
Local sources				
Local tax	\$ 1,163,863	\$ 1,115,407	\$ 1,094,199	\$ 1,036,437
Tuition	299,433	279,637	241,275	234,635
Other	115,037	134,497	132,677	156,279
State sources	1,967,842	1,986,221	1,935,291	1,944,449
Federal sources	82,265	65,046	57,657	39,808
Total revenues	<u>\$ 3,628,440</u>	<u>\$ 3,580,808</u>	<u>\$ 3,461,099</u>	<u>\$ 3,411,608</u>
Expenditures				
Instruction				
Regular instruction	1,729,933	1,642,284	1,582,331	1,512,635
Special instruction	365,774	384,654	415,879	390,618
Other instruction	239,802	314,597	307,011	281,763
Support services				
Student services	15,448	17,120	34,391	48,859
Instructional staff services	116,071	103,760	91,922	88,373
Administration services	487,216	480,500	427,994	384,942
Operation and maintenance of plant services	296,785	280,087	272,118	300,782
Transportation services	94,145	83,867	153,663	85,992
Other expenditures				
Facilities acquisition	322,540	429,629	31,859	166,569
Long-term debt				
Principal	155,000	100,000	95,000	90,000
Interest and other charges	74,673	44,837	49,112	53,161
AEA flowthrough	133,943	141,498	141,486	143,293
Total expenditures	<u>\$ 4,031,330</u>	<u>\$ 4,022,833</u>	<u>\$ 3,602,766</u>	<u>\$ 3,546,987</u>

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education  
Springville Community School District  
Springville, Iowa

I have audited the financial statements of the Springville Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated November 2, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Springville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that are described below.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved, except for items 2 and 11. Current year statutory comments are detailed as follows:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

2. Certified Budget - Expenditures for the year ended June 30, 2004, exceeded the amount budgeted in the Other Expenditures function.

Recommendation - The budget was amended in accordance with Chapter 24.9 of the Code of Iowa. However, the amounts of expenditures authorized in the amendment were not sufficient to cover anticipated expenditures. The budget should be sufficiently amended in the future, if necessary.

Response - We will amend the budget in sufficient amounts, if necessary, in the future.

Conclusion - Response accepted.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
5. Business Transactions - No business transactions between the District and District officials were noted.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, the minutes were not always made available to the newspaper within the time restrictions of the Code of Iowa.

Recommendation - Chapter 279.35 of the Code of Iowa requires that all minutes of board meetings be made available to the publisher within 15 days of the board meeting. The District should insure that all minutes be submitted to the newspaper within this time limit.

Response - We will be more attentive of this in the future.

Conclusion - Response accepted.

8. Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, I noted a few deficiencies in the amounts reported related to correction of a journal entry made by a prior Board Secretary .

Recommendation - The Board Secretary should review the instructions for preparing the CAR before preparing the CAR for the fiscal year ending June 30, 2005. Also, the FY04 ending balances affected should be corrected through an auditor's adjustment on the FY05 CAR.

Response - We will comply with the recommendation.

Conclusion - Response accepted.

11. Financial Condition - The District's Physical Plant and Equipment Levy Fund had a deficit fund balance of \$1,366 at June 30, 2004.

Recommendation - The District should investigate alternatives to eliminate this deficit.

Response - We will investigate the situation.

Conclusion - Response accepted

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Springville Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Springville Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Prior year reportable conditions have not been resolved. Current year reportable conditions are as follows:

- A. Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the bank deposits, bank reconciliations, the posting of cash journals, payroll and payroll records are all done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. The District has segregated some duties among the central office staff to provide more oversight and review over accounting functions. However, the District should review its control procedures periodically to obtain the as much internal control as possible under the circumstances.

Response - We will investigate available alternatives and implement as deemed necessary.

Conclusion - Response accepted.

A material weakness is a 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 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the lack of segregation of duties is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Springville Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Springville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
November 2, 2004

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2004

This audit was performed by

Kay Chapman, CPA