SPRINGVILLE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2006

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
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SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Officials
June 30, 2006

Name	Title	Term Expires
	Board of Education	
	(Before September 2005 Election)	
Lee Ann Grimley	Board President	2006
Brad Merritt	Board Member	2005
Tami Gillmore	Board Member	2005
Dennis Thies	Board Member	2007
Ron Jaeger	Board Member	2007
	(After September 2005 Election)	
Lee Ann Grimley	Board President	2006
Dennis Thies	Board Member	2007
Ron Jaeger	Board Member	2007
Judy Studt	Board Member	2008
Tami Gillmore	Board Member	2008
	School Officials	
Oran Teut	Superintendent	2006
Laurie Howe	District Secretary/Treasurer	2006
Brian Gruhn	Attorney	2006

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Springville Community School District

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, 2006, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that 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, 2006, 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.

In accordance with Government Auditing Standards, I have also issued my report dated October 3, 2006 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, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 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 required supplementary information. 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, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other 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
October 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $3,407,810 in fiscal 2005 to $3,661,509 in fiscal 2006, and General Fund expenditures decreased from $3,497,949 in fiscal 2005 to $3,473,335 in fiscal 2006. The District's General Fund balance increased from $165,870 in fiscal 2005 to $354,044 in fiscal 2006, a 113% increase.

- The increase in General Fund revenue was attributable to an increase in state and federal grant revenue and the instructional support levy surtax in fiscal 2006. The decrease in expenditures was due primarily to personnel attrition, stable benefits, and restricted expenditures. One reason the General Fund balance increased is because the instructional support levy surtax created an increase in General Fund revenue for fiscal 2006. As a result, the District was able to increase its cash balance.

- An increase in interest rates during the past fiscal year, combined with an increase in money market investments, resulted in interest earnings in the General Fund alone increasing from $7,926.32 in fiscal 2005 to $18,439.74 in fiscal 2006.

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-1
Springville Community School District Annual Financial Report

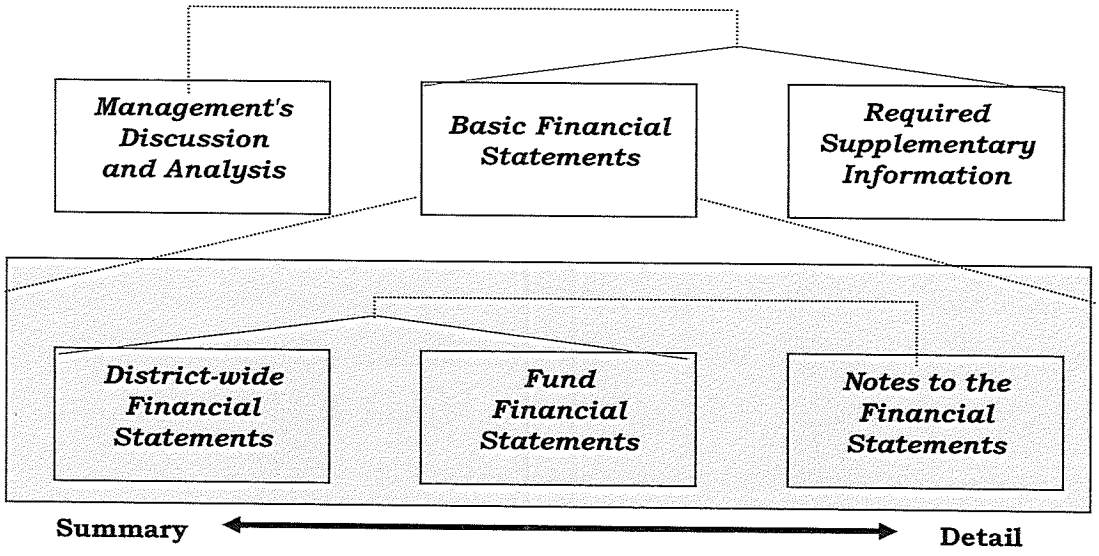

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements Governmental Funds	Proprietary 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
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
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
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
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

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, 2006 and 2005.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	$ 2,194,811	$ 2,024,295	$ 17,680	$ 11,858	$ 2,212,491	$ 2,036,153	8.66%
Capital assets	1,092,610	1,032,326	13,068	9,770	1,105,678	1,042,096	6.10%
Total assets	3,287,421	3,056,621	30,748	21,628	3,318,169	3,078,249	7.79%
Long-term obligations	907,597	1,114,690	-	-	907,597	1,114,690	-18.58%
Other liabilities	1,747,342	1,729,577	9,471	8,597	1,756,813	1,738,174	1.07%
Total liabilities	2,654,939	2,844,267	9,471	8,597	2,664,410	2,852,864	-6.61%
Net assets							
Invested in capital assets, net of related debt	692,610	582,326	13,068	9,770	705,678	592,096	19.18%
Restricted	118,383	146,933	-	-	118,383	146,933	-19.43%
Unrestricted	(178,511)	(516,905)	8,209	3,261	(170,302)	(513,644)	66.84%
Total net assets	$ 632,482	$ 212,354	$ 21,277	$ 13,031	$ 653,759	$ 225,385	190.06%

The District's combined net assets increased by approximately 190%, or $428,374, from the prior year. The largest portion of the District's net assets is the 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 $28,550, or approximately 19% from the prior year.

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 $343,342, or approximately 67%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4

Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
Revenues	2006	2005	2006	2005	2006	2005	2005-2006
Program revenues							
Charges for service and sales	$ 458,352	$ 433,783	$ 140,048	$ 155,354	$ 598,400	$ 589,137	1.57%
Operating grants	372,011	380,807	63,921	53,500	435,932	434,307	0.37%
Capital grants	15,185	-	-	-	15,185	-	100.00%
General revenues							
Property tax	1,294,456	1,236,848	-	-	1,294,456	1,236,848	4.66%
Unrestricted state grants	1,945,292	1,765,334	-	-	1,945,292	1,765,334	10.19%
Contributions and donations	296	-	-	-	296	-	100.00%
Unrestricted investment earnings	20,160	6,116	152	62	20,312	6,178	98.41%
Other	2,996	-	-	-	2,996	-	100.00%
Total revenues	4,108,748	3,822,888	204,121	208,916	4,312,869	4,031,804	6.97%
Program expenses							
Governmental activities							
Instruction	2,391,286	2,425,526	-	-	2,391,286	2,425,526	-1.41%
Support services	1,121,918	1,068,314	-	-	1,121,918	1,068,314	5.02%
Non-instructional programs	-	-	193,713	208,898	193,713	208,898	-7.27%
Other expenses	237,912	217,558	-	-	237,912	217,558	9.36%
Total expenses	3,751,116	3,711,398	193,713	208,898	3,944,829	3,920,296	0.63%
Change in net assets	$ 357,632	$ 111,490	$ 10,408	$ 18	$ 368,040	$ 111,508	230.06%

In fiscal 2006, property tax and unrestricted state grants account for 79% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were $4,312,869 of which $4,108,748 was for governmental activities and $204,121 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.97% increase in revenues and a .63% increase in expenses. Property tax increased $57,608 to fund increases in expenditures. The increases in expenses related to increases in the support staff salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were $4,108,748 and expenses were $3,751,116. The District was able to balance the budget by trimming expenses, thereby, increasing the District's cash balance.

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

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
Instruction	$ 2,391,286	$ 2,425,526	-1.4%	$ 1,708,322	$ 1,747,771	-2.3%
Support services	1,121,918	1,068,314	5.0%	1,120,533	1,065,321	5.2%
Other expenses	237,912	3,711,398	-93.6%	76,713	83,716	-8.4%
Total expenses	$ 3,751,116	$ 7,205,238	-47.9%	$ 2,905,568	$ 2,896,808	0.3%

- The cost financed by users of the District's programs was $458,352.
- Federal and state governments subsidized certain programs with grants and contributions totaling $387,196.
- The net cost of governmental activities was financed with $1,294,456 in property taxes and $1,945,292 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $204,121 representing a 2.3% decrease from the prior year and expenses totaled $193,713, a 7.3% decrease from the prior year. 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.

The decrease in revenue is due to the decline in enrollment in the District's Preschool Program during the fiscal year 2006. The decrease in expense is due to contracted hours being reduced in the School Nutrition Program for the 2006/2007 school 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 $449,367, well above last year's ending fund balances of $311,460. However, the primary reason for the increase in combined fund balances in fiscal 2006 is due to an increase in grants and tax growth due to increased valuations.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The District was also able to keep expenditures in check, thereby, increasing its overall financial balance.

- The General Fund balance increased from $165,870 to $354,044, due in part to the increase in District tax base, instructional support levy, grants, and the reduction of expenditures.

Proprietary Fund Highlights

Enterprise Fund net assets increased from $10,869 at June 30, 2005 to $21,277 at June 30, 2006, representing an increase of approximately 95.8 %. The increase in net assets is due to the purchase of a walk in cooler and equipment for the Nutrition Program.

BUDGETARY HIGHLIGHTS

The District did not amend its annual budget during the year ended June 30, 2006.

The District's revenues were $66,545 less than budgeted revenues, a variance of 1.5%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were $507,005 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 Support Services function due to account code changes mandated by the Iowa Department of Education and the timing of these changes at year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested $1,105,678, 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 increase of approximately 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was $81,515.

The original cost of the District's capital assets was $4,269,070. Governmental funds account for $4,232,986, with the remainder of $36,084 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the site improvements category at an increase of 43.66%. The District's site improvements totaled $10,783 at June 30, 2006, compared to $7,506 reported at June 30, 2005. This increase resulted from the District sealing their driveways during fiscal 2006.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Land	$ 215,023	$ 215,023	$ -	$ -	$ 215,023	$ 215,023	0.00%
Site improvements	10,783	7,506	-	-	10,783	7,506	43.66%
Buildings and improvements	688,329	649,348	-	-	688,329	649,348	6.00%
Furniture and equipment	178,475	208,177	13,068	7,608	191,543	215,785	-11.23%
Totals	$ 1,092,610	$1,080,054	$13,068	$ 9,770	$1,105,678	$1,087,662	1.66%

Long-Term Debt

At June 30, 2006, the District had $907,597 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 18% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

Outstanding Long-term Obligations

	Total School District		Total Change
	2006	2005	2005-2006
General obligation bonds	$ 500,000	$ 625,000	-20.00%
Capital loan notes	400,000	450,000	-11.11%
Early retirement	7,597	39,690	-80.86%
Total	$ 907,597	$ 1,114,690	-18.58%

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:

- Fiscal 2006 was the second year of a two-year contract with the Springville Education Teacher Association (SETA). The District will negotiate a new agreement during fiscal 2007. 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, 2006

Exhibit A

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 745,890	$ 16,010	$ 761,900
Receivables			
Property tax			
Delinquent	22,028	-	22,028
Succeeding year	1,348,639	-	1,348,639
Accounts receivable	6,165	1,003	7,168
Due from other governments	72,089	-	72,089
Inventories	-	667	667
Capital assets, net of accumulated depreciation	1,092,610	13,068	1,105,678
Total assets	3,287,421	30,748	3,318,169
LIABILITIES			
Accounts payable	103,935	-	103,935
Salaries and benefits payable	292,870	8,025	300,895
Accrued interest payable	1,898	-	1,898
Deferred revenue			
Succeeding year property tax	1,348,639	-	1,348,639
Other	-	1,446	1,446
Long-term liabilities			
Portion due within one year			
Bonds payable	120,000	-	120,000
Capital loan notes payable	50,000	-	50,000
Early retirement payable	7,597	-	7,597
Portion due after one year			
Bonds payable	380,000	-	380,000
Capital loan notes payable	350,000	-	350,000
Total liabilities	2,654,939	9,471	2,664,410
NET ASSETS			
Invested in capital assets, net of related debt	692,610	13,068	705,678
Restricted for			
Management levy	38,282	-	38,282
Other special revenue purposes	58,784	-	58,784
Physical plant and equipment levy	21,317	-	21,317
Unrestricted	(178,511)	8,209	(170,302)
Total net assets	$ 632,482	$ 21,277	$ 653,759

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

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activites

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities							
Instruction							
Regular instruction	$ 1,672,940	$ 374,844	$ 157,452	$ -	$(1,140,644)	$ -	$ (1,140,644)
Special instruction	388,496	80,673	66,787	-	(241,036)	-	(241,036)
Other instruction	329,850	2,600	608	-	(326,642)	-	(326,642)
	2,391,286	458,117	224,847	-	(1,708,322)	-	(1,708,322)
Support services							
Student services	55,388	-	-	-	(55,388)	-	(55,388)
Instructional staff services	150,232	-	-	-	(150,232)	-	(150,232)
Administration services	424,234	-	-	-	(424,234)	-	(424,234)
Operation and maintenance of plant services	356,439	235	-	-	(356,204)	-	(356,204)
Transportation services	135,625	-	1,150	-	(134,475)	-	(134,475)
	1,121,918	235	1,150	-	(1,120,533)	-	(1,120,533)
Other expenditures							
Facilities acquisition	15,391	-	-	15,185	(206)	-	(206)
Long-term debt interest	26,428	-	-	-	(26,428)	-	(26,428)
AEA flowthrough	146,014	-	146,014	-	-	-	-
Depreciation (unallocated) *	27,784	-	-	-	(27,784)	-	(27,784)
Loss on disposal of capital assets	22,295	-	-	-	(22,295)	-	(22,295)
	237,912	-	146,014	15,185	(76,713)	-	(76,713)
Total governmental activities	3,751,116	458,352	372,011	15,185	(2,905,568)	-	(2,905,568)

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

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activites

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Business type activities							
Non-instructional programs							
Nutrition services	$ 169,258	$ 112,650	$ 63,921	$ -	$ -	$ 7,313	$ 7,313
Preschool program	24,455	27,398	-	-	-	2,943	2,943
Total business type activities	193,713	140,048	63,921	-	-	10,256	10,256
Total	$ 3,944,829	$ 598,400	$ 435,932	$ 15,185	(2,905,568)	10,256	(2,895,312)
General Revenues							
Property tax levied for							
General purposes					1,019,856	-	1,019,856
Capital projects					135,933	-	135,933
Debt service					138,667	-	138,667
Unrestricted state grants					1,945,292	-	1,945,292
Contributions and donations					296	-	296
Unrestricted investment earnings					20,160	152	20,312
Other					2,996	-	2,996
Total general revenues					3,263,200	152	3,263,352
Change in net assets					357,632	10,408	368,040
Net assets, beginning of year, as adjusted					274,850	10,869	285,719
Net assets, end of year					$ 632,482	$ 21,277	$ 653,759

* 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
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit C

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments	$ 655,212	$ 90,678	$ 745,890
Receivables			
Property tax			
Delinquent	11,031	10,997	22,028
Succeeding year	1,001,140	347,499	1,348,639
Accounts receivable	6,026	139	6,165
Due from other funds	97	32,357	32,454
Due from other governments	71,801	288	72,089
Total assets and other debits	$ 1,745,307	$ 481,958	$ 2,227,265
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	$ -	$ 32,454	$ 32,454
Accounts payable	97,253	6,682	103,935
Salaries and benefits payable	292,870	-	292,870
Deferred revenue			
Succeeding year property tax	1,001,140	347,499	1,348,639
Total liabilities	1,391,263	386,635	1,777,898
Fund balances			
Unreserved			
General	354,044	-	354,044
Debt service	-	(30,657)	(30,657)
Special revenue funds	-	125,980	125,980
Total fund balances	354,044	95,323	449,367
Total liabilities and fund balances	$ 1,745,307	$ 481,958	$ 2,227,265

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, 2006

Exhibit D

Total fund balances of governmental funds	$ 449,367
Amounts reported for governmental activites in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,092,610
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.	(1,898)
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.	(907,597)
Net assets of governmental activities	$ 632,482

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

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2006

	General	Nonmajor Governmental Funds	Total
Revenues			
Local sources			
Local tax	$ 969,639	$ 324,818	$ 1,294,457
Tuition	329,805	-	329,805
Other	29,577	122,421	151,998
State sources	2,246,880	-	2,246,880
Federal sources	85,608	-	85,608
Total revenues	3,661,509	447,239	4,108,748
Expenditures			
Current			
Instruction			
Regular instruction	1,657,816	32,904	1,690,720
Special instruction	388,496	-	388,496
Other instruction	237,876	112,885	350,761
	2,284,188	145,789	2,429,977
Support services			
Student support services	55,388	-	55,388
Instructional staff services	156,447	-	156,447
Administration services	406,947	21,333	428,280
Operation & maintenance of plant services	318,072	37,006	355,078
Transportation services	106,279	7,614	113,893
	1,043,133	65,953	1,109,086
Other expenditures			
Facilities acquisition	-	84,260	84,260
Long-term debt			
Principal	-	175,000	175,000
Interest and fiscal charges	-	26,504	26,504
AEA flowthrough	146,014	-	146,014
	146,014	285,764	431,778
Total expenditures	3,473,335	497,506	3,970,841
Excess (deficiency) of revenue over (under) expenditures	188,174	(50,267)	137,907
Fund balance, beginning of year, as adjusted	165,870	145,590	311,460
Fund balance, end of year	$ 354,044	$ 95,323	$ 449,367

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, 2006

Exhibit F

Net change in fund balances - total governmental funds		$ 137,907
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	$ 113,659	
Loss on disposal of capital assets	(22,295)	
Depreciation expense	(78,808)	12,556
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.		175,000
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		32,093
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.		76
Change in net assets of governmental activities		$ 357,632

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

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2006

Exhibit G

	Nonmajor Enterprise
ASSETS	
Cash and pooled investments	$ 16,010
Accounts receivable	1,003
Inventories	667
Capital assets, net of accumulated depreciation	13,068
Total assets	30,748
LIABILITIES	
Salaries and benefits payable	8,025
Deferred revenue	1,446
Total liabilities	9,471
NET ASSETS	
Invested in capital assets	13,068
Unrestricted	8,209
Total net assets	$ 21,277

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, 2006

Exhibit H

	Nonmajor Enterprise
Operating revenue	
Local sources	
Charges for service	$ 140,048
Operating expenses	
Food service operations	
Support services	
Operation and maintenance of plant services	
Purchased services	3,755
Supplies	1,698
Non-instructional programs	
Salaries	56,850
Benefits	8,697
Supplies	95,551
Depreciation	2,707
	169,258
Preschool operations	
Non-instructional programs	
Salaries	18,957
Benefits	5,198
Supplies	300
	24,455
Total operating expenses	193,713
Operating loss	(53,665)
Non-operating revenue	
Interest income	152
State sources	2,283
Federal sources	61,638
Total non-operating revenue	64,073
Net income	10,408
Net assets, beginning of year	10,869
Net assets, end of year	$ 21,277

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, 2006

Exhibit I

	Nonmajor Enterprise
Cash flows from operating activities	
Cash received from sale of services	$140,491
Cash payments to employees for services	(89,104)
Cash payments to suppliers for goods and services	(93,249)
Net cash used in operating activities	(41,862)
Cash flows from non-capital financing activities	
State grants received	2,283
Federal grants received	51,981
Net cash provided by non-capital financing activities	54,264
Cash flows from capital and related financing activities	
Acquisition of capital assets	(8,167)
Cash flows from investing activities	
Interest on investments	152
Net increase in cash and cash equivalents	4,387
Cash and cash equivalents, beginning of year	11,623
Cash and cash equivalents, end of year	$ 16,010
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (53,665)
Adjustments to reconcile operating loss to net cash used in operating activities	
Commodities used	9,657
Depreciation	2,707
(Increase) in accounts receivable	(1,003)
(Increase) in inventories	(432)
(Decrease) in accounts payable	(1,170)
Increase in salaries and benefits payable	598
Increase in deferred revenue	1,446
Net cash used in operating activities	$ (41,862)

Non-cash investing, capital and financing activities

During the year ended June 30, 2006, the District received $9,657 of federal commodities.

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

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 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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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.

Asset Class	Amount
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:

Asset Class	Useful Life
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, 2006. 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, 2006, expenditures exceeded the amount budgeted in the Support Services function. However, General Fund expenditures did not exceed the unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 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, 2006.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Student Activity	$ 97
Management	Debt Service	32,357
Total		$ 32,454

The Student Activity Fund owes General Fund for an expenditure made from the incorrect fund during the fiscal year ended June 30, 2006. The balance will be repaid by June 30, 2007. The Debt Service Fund had outstanding warrants issued in excess of the fund's portion of a shared bank account. Therefore, the negative cash balance is reported as an interfund receivable/payable.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Physical Plant and Equipment Levy	$ 63,047

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

Note 5. Capital Assets

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

Governmental activities	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	$ 215,023	$ -	$ -	$ 215,023
Capital assets being depreciated:				
Site improvements	7,659	3,500	-	11,159
Buildings and improvements	2,873,180	65,369	-	2,938,549
Furniture and equipment	1,063,365	44,790	(39,900)	1,068,255
Total capital assets being depreciated	3,944,204	113,659	(39,900)	4,017,963
Less accumulated depreciation for:				
Site improvements	153	223	-	376
Buildings and improvements	2,223,832	26,388	-	2,250,220
Furniture and equipment	855,188	52,197	(17,605)	889,780
Total accumulated depreciation	3,079,173	78,808	(17,605)	3,140,376
Total capital assets being depreciated, net	865,031	34,851	(22,295)	877,587
Governmental activities capital assets, net	$ 1,080,054	$ 34,851	$(22,295)	$ 1,092,610

Business type activities				
Furniture and equipment	$ 27,917	$ 8,167	$ -	$ 36,084
Less accumulated depreciation	20,309	2,707	-	23,016
Business type activities capital assets, net	$ 7,608	$ 5,460	$ -	$ 13,068

Depreciation expense was charged to the following functions:

Governmental activities	
Instruction	
Regular	$ 10,267
Other	3,484
Support services	
Instructional staff	1,035
Operation and maintenance of plant	1,361
Transportation	34,877
Unallocated depreciation	27,784
Total governmental activities depreciation expense	$ 78,808
Business type activities	
Food services	$ 2,707

During the year ended June 30, 2006, the District discovered that it had incorrectly reported capital assets and accumulated depreciation on the financial statements for the year ended June 30, 2005. The cost was understated by $78,334 and accumulated depreciation was understated by $30,606, resulting in a net understatement of $47,728. The beginning balances have been adjusted accordingly.

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	$ 625,000	$ -	$(125,000)	$ 500,000	$ 120,000
Capital loan notes	450,000	-	(50,000)	400,000	50,000
Early retirement	39,690	-	(32,093)	7,597	7,597
Totals	$ 1,114,690	$ -	$(207,093)	$ 907,597	$ 177,597

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, 2006 general obligation refunding bonded indebtedness is as follows:

Year Ending June 30,	Bond issue of April 1, 2004			
	Interest Rates	Principal	Interest	Total
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%	130,000	3,484	133,484
Totals		$ 500,000	$ 30,272	$ 530,272

Capital Loan Notes

On June 18, 2004, 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 June 30,	Interest Rate	Principal	Interest	Total
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	65,000	2,210	67,210
Totals		$ 400,000	$ 51,100	$ 451,100

Note 7. 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, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were $119,963, $115,947 and $112,788 respectively, equal to the required contributions for each year.

Note 8. 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 9. 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 $146,014 adjusting entry to the cash basis financial statements.

Note 10. Deficit Balance

The District had unreserved, undesignated fund deficits in the Debt Service Fund and Enterprise, Preschool Fund of $30,657 and $567 respectively at June 30, 2006.

Note 11. Correction of Beginning Balances

During the year ended June 30, 2006, the District became aware of prior year errors in amounts reported in the General Fund and Physical Plant and Equipment Levy Fund. Therefore, the beginning fund balances in those funds were corrected, as follows:

Physical Plant and Equipment Levy Fund decreased $1,160
General Fund increased $15,928
School Nutrition Fund decreased $2,162

These corrections, along with the corrections to capital assets described in Note 5, also affect the beginning balances of the governmental activities and business type activities in Exhibit B, Statement of Activities. The beginning balances have been adjusted as follows:

Governmental Activities increased $62,496
Business Type Activities decreased $2,162

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, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues						
Local sources	$ 1,768,206	$ 140,200	$ 1,908,406	$ 1,967,313	$ 1,967,313	$ (58,907)
State sources	2,246,880	2,283	2,249,163	2,296,047	2,296,047	(46,884)
Federal sources	85,608	61,638	147,246	108,000	108,000	39,246
Total revenues	4,100,694	204,121	4,304,815	4,371,360	4,371,360	(66,545)
Expenditures						
Instruction	2,429,977	-	2,429,977	2,845,851	2,845,851	415,874
Support services	1,109,086	5,453	1,114,539	1,058,600	1,058,600	(55,939)
Non-instructional programs	-	188,260	188,260	212,000	212,000	23,740
Other expenditures	431,778	-	431,778	555,108	555,108	123,330
Total expenditures	3,970,841	193,713	4,164,554	4,671,559	4,671,559	507,005
Excess (deficiency) of revenues over (under) expenditures	129,853	10,408	140,261	(300,199)	(300,199)	440,460
Other financing sources, net	8,054	-	8,054	-	-	(8,054)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	137,907	10,408	148,315	(300,199)	(300,199)	432,406
Balance, beginning of year, as adjusted	311,460	10,869	322,329	350,058	350,058	(27,729)
Balance, end of year	$ 449,367	$ 21,277	$ 470,644	$ 49,859	$ 49,859	$ 404,677

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

During the year ended June 30, 2006, District expenditures exceeded the amount budgeted in the Support Services function; however, 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, 2006

Schedule 1

	Special Revenue				
	Student Activity	Management	Physical Plant and Equipment Levy	Debt Service	Total
ASSETS					
Cash and pooled investments	$ 57,700	$ 12,810	$ 20,168	$ -	$ 90,678
Receivables					
Property tax					
Current year delinquent	7,303	571	1,546	1,577	10,997
Succeeding year	-	75,000	140,866	131,633	347,499
Accounts receivable	-	96	43	-	139
Due from other fund	-	32,357	-	-	32,357
Due from other governments	-	45	120	123	288
Total assets	$ 65,003	$ 120,879	$ 162,743	$ 133,333	$ 481,958
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other fund	$ 97	$ -	$ -	$ 32,357	$ 32,454
Accounts payable	6,122	-	560	-	6,682
Deferred revenue					
Succeeding year property tax	-	75,000	140,866	131,633	347,499
Total liabilities	6,219	75,000	141,426	163,990	386,635
Fund Balances					
Unreserved fund balances	58,784	45,879	21,317	(30,657)	95,323
Total liabilities and fund balances	$ 65,003	$ 120,879	$ 162,743	$ 133,333	$ 481,958

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, 2006

Schedule 2

	Special Revenue				
Revenues	Student Activity	Management	Physical Plant and Equipment Levy	Debt Service	Total
Local sources					
Local taxes	$ -	$ 50,220	$ 135,933	$ 138,665	$ 324,818
Other	108,748	3,926	739	9,008	122,421
Total revenues	108,748	54,146	136,672	147,673	447,239
Expenditures					
Instruction					
Regular instruction	-	32,904	-	-	32,904
Other instruction	112,885	-	-	-	112,885
Support services					
Administration services	-	21,333	-	-	21,333
Operation and maintenance of plant services	-	28,772	8,234	-	37,006
Transportation services	-	7,614	-	-	7,614
Other expenditures					
Facilities acquisition and construction	-	-	84,260	-	84,260
Long-term debt					
Principal	-	-	-	175,000	175,000
Interest and fiscal charges	-	-	-	26,504	26,504
Total expenditures	112,885	90,623	92,494	201,504	497,506
Excess (deficiency) of revenues over (under) expenditures	(4,137)	(36,477)	44,178	(53,831)	(50,267)
Other financing sources (uses)					
Operating transfer in (out)	-	-	(63,047)	63,047	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(4,137)	(36,477)	(18,869)	9,216	(50,267)
Fund balances, beginning of year, as adjusted	62,921	82,356	40,186	(39,873)	145,590
Fund balances, end of year	$ 58,784	$ 45,879	$ 21,317	$ (30,657)	$ 95,323

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2006

Schedule 3

	Enterprise		
	School Nutrition	Preschool	Total
ASSETS			
Cash and cash equivalents	$14,186	$ 1,824	$16,010
Accounts receivable	1,003	-	1,003
Inventories	667	-	667
Capital assets, net of accumulated depreciation	13,068	-	13,068
Total assets	28,924	1,824	30,748
LIABILITIES			
Salaries and benefits payable	5,634	2,391	8,025
Deferred revenue	1,446	-	1,446
Total liabilities	7,080	2,391	9,471
NET ASSETS			
Invested in capital assets	13,068	-	13,068
Unrestricted	8,776	(567)	8,209
Total net assets	$21,844	$ (567)	$21,277

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Schedule 4

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Nonmajor Proprietary Funds

For the Year Ended June 30, 2006

	Enterprise		
	School Nutrition	Preschool	Total
Operating revenue			
Local sources			
Charges for service	$ 112,650	$ 27,398	$ 140,048
Operating expenses			
Support services			
Operation and maintenance of plant services			
Purchased services	3,755	-	3,755
Supplies	1,698	-	1,698
Non-instructional programs			
Salaries	56,850	18,957	75,807
Benefits	8,697	5,198	13,895
Supplies	95,551	300	95,851
Depreciation	2,707	-	2,707
Total operating expenses	169,258	24,455	193,713
Operating income (loss)	(56,608)	2,943	(53,665)
Non-operating revenue			
Interest income	150	2	152
State sources	2,283	-	2,283
Federal sources	61,638	-	61,638
Total non-operating revenue	64,071	2	64,073
Net income	7,463	2,945	10,408
Net assets, beginning of year, as adjusted	14,381	(3,512)	10,869
Net assets, end of year	$ 21,844	$ (567)	$ 21,277

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2006

Schedule 5

	Enterprise		
	School Nutrition	Preschool	Total
Cash flows from operating activities			
Cash received from sale of services	$ 113,093	$ 27,398	$ 140,491
Cash payments to employees for services	(63,825)	(25,279)	(89,104)
Cash payments to suppliers for goods and services	(92,899)	(350)	(93,249)
Net cash provided by (used in) operating activities	(43,631)	1,769	(41,862)
Cash flows from non-capital financing activities			
State grants received	2,283	-	2,283
Federal grants received	51,981	-	51,981
Net cash provided by non-capital financing activities	54,264	-	54,264
Cash flows from capital and related financing activities			
Acquisition of capital assets	(8,167)	-	(8,167)
Cash flows from investing activities			
Interest on investments	150	2	152
Net increse in cash and cash equivalents	2,616	1,771	4,387
Cash and cash equivalents, beginning of year	11,570	53	11,623
Cash and cash equivalents, end of year	$ 14,186	$ 1,824	$ 16,010
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ (56,608)	$ 2,943	$ (53,665)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Commodities used	9,657	-	9,657
Depreciation	2,707	-	2,707
(Increase) in accounts receivable	(1,003)	-	(1,003)
(Increase) in inventories	(432)	-	(432)
(Decrease) in accounts payable	(1,120)	(50)	(1,170)
Increase (decrease) in salaries and benefits payable	1,722	(1,124)	598
Increase in deferred revenue	1,446	-	1,446
Net cash provided by (used in) operating activities	$ (43,631)	$ 1,769	$ (41,862)

Non-cash investing, capital and financing activities:
During the year ended June 30, 2006, the District received $9,657 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, 2006

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Cross country	$ 100	$ 63	$ -	$ 163
Boys golf	-	-	208	(208)
Choir trip	-	-	1,793	(1,793)
School cents	-	-	900	(900)
Interest	1,817	894	-	2,711
Central office	598	-	136	462
Book fair	581	6,284	4,689	2,176
Drama	19	953	664	308
Art club	3	800	547	256
Pictures	2,698	977	2,286	1,389
Library fines	613	460	639	434
Garden project	904	-	94	810
Yearbook	445	4,647	3,670	1,422
Choir trip	114	1,679	-	1,793
National Honor Society	163	72	150	85
School cents	8,126	3,851	8,568	3,409
Student senate - MS	238	-	-	238
Student senate - HS	587	1,595	1,320	862
Class of 2005	1,361	-	1,361	-
Class of 2006	2,876	289	3,165	-
Class of 2007	720	8,422	6,409	2,733
Class of 2008	851	-	25	826
Class of 2009	2,811	-	454	2,357
Class of 2010	2,460	2,275	2,293	2,442
Class of 2011	810	1,937	899	1,848
Class of 2012	-	1,757	936	821
Boys basketball	373	496	377	492
Football	621	4,655	4,112	1,164
Boys baseball	1,371	-	333	1,038
Boys track	212	150	-	362
Boys golf	318	292	-	610
Wrestling	140	951	245	846

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Schedule 6

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

For the Year Ended June 30, 2006

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Girls basketball	$ 1,661	$ 1,710	$ 2,016	$ 1,355
Girls volleyball	2,104	2,451	2,744	1,811
Girls softball	2,348	-	804	1,544
Girls track	1,308	2,938	2,526	1,720
Gate money	6,321	28,034	29,142	5,213
Activities director	821	6,289	5,734	1,376
Weight room	146	-	-	146
Cheerleading	1,637	2,930	2,510	2,057
Vocal resale	1,881	2,419	3,029	1,271
HS instumental resale	1,276	11,106	11,606	776
Supply store	2,083	-	960	1,123
Pictures	3,679	4,940	2,973	5,646
Jump Rope for Heart	112	532	533	111
Student senate - elementary	4,509	1,301	1,513	4,297
Elementary instrumental resale	1,105	599	522	1,182
Totals	$ 62,921	$ 108,748	$ 112,885	$ 58,784

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			
	2006	2005	2004	2003
Revenues				
Local sources				
Local tax	$ 1,294,457	$ 1,235,683	$ 1,163,863	$ 1,115,407
Tuition	329,805	315,579	299,433	279,637
Other	151,998	124,320	115,037	134,497
State sources	2,246,880	2,083,190	1,967,842	1,986,221
Federal sources	85,608	64,116	82,265	65,046
Total revenues	$ 4,108,748	$ 3,822,888	$ 3,628,440	$ 3,580,808
Expenditures				
Instruction				
Regular instruction	1,690,720	1,723,222	1,729,933	1,642,284
Special instruction	388,496	426,064	365,774	384,654
Other instruction	350,761	368,467	239,802	314,597
Support services				
Student services	55,388	15,750	15,448	17,120
Instructional staff services	156,447	165,882	116,071	103,760
Administration services	428,280	437,637	487,216	480,500
Operation and maintenance of plant services	355,078	343,560	296,785	280,087
Transportation services	113,893	92,258	94,145	83,867
Other expenditures				
Facilities acquisition	84,260	43,784	322,540	429,629
Long-term debt				
Principal	175,000	165,000	155,000	100,000
Interest and other charges	26,504	31,081	74,673	44,837
AEA flowthrough	146,014	133,842	133,943	141,498
Total expenditures	$ 3,970,841	$ 3,946,547	$ 4,031,330	$ 4,022,833

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 Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education
Springville Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Springville Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 3, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing 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 opinions on the financial statements and not to provide an opinion 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 the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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, of the reportable conditions described above, I believe item (A) Segregation of Duties, is a material weakness.

Compliance and Other Matters

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, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 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.

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
October 3, 2006

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

   Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

   Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

   Conclusion - Response accepted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget – Expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the Support Services function.

   Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

   Response – This was a result of changes to the chart of accounts and where various expenditures were coded as required by the State of Iowa Department of Education. Due to the lateness of guidance received from the Iowa Department of Education, we were not able to amend our budget timely to cover these expenditures under their corrected function. We will be more attentive of this in the future and amend the budget, if necessary.

   Conclusion – Response accepted.

2. 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.

3. 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.

4. Business Transactions – No business transactions between the District and District officials or employees were noted.

5. 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.

6. Board Minutes – I noted no transactions requiring Board approval which had not been approved by the Board.

7. Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

8. 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.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

9. Certified Annual Reports – The Certified Annual Report was certified to the Department of Education timely and no material errors were noted.

10. Financial Condition – The District had unreserved, undesignated deficits in the Debt Service Fund and the Enterprise, Preschool Fund of $30,657 and $567, respectively at June 30, 2006.

    Recommendation – The District should continue to monitor these funds and investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

    Response – We will review these situations and implement changes, as needed.

    Conclusion – Response accepted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2006

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant