

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

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SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 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
(After September 2006 Election)		
Lee Ann Grimley	Board President	2009
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	2007
Stacey Matus	District Secretary/Treasurer	2007
Brian Gruhn	Attorney	2007

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, 2007, 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, 2007, 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 February 22, 2008 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 38 through 39 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. Other supplementary information included in Schedules 1 through 6, 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. 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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2007, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 22, 2008

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,661,509 in fiscal 2006 to \$3,990,383 in fiscal 2007, and General Fund expenditures increased from \$3,473,335 in fiscal 2006 to \$3,885,276 in fiscal 2007. The District's General Fund balance increased from \$354,044 in fiscal 2006 to \$459,151 in fiscal 2007, a 29% increase.
- The increase in General Fund revenue was attributable to an increase in state and federal grant revenue, instructional support levy surtax in fiscal 2007, increase in property tax revenues, increase in open enrollment tuition and increase in investment interest. The increase in expenditures was due primarily to salaries and benefits, transportation costs and building repair and maintenance. One reason the General Fund balance increased is because the instructional support levy surtax created an increase in General Fund revenue for fiscal 2007. 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 \$9,413 in fiscal 2006 to \$23,611 in fiscal 2007.

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.

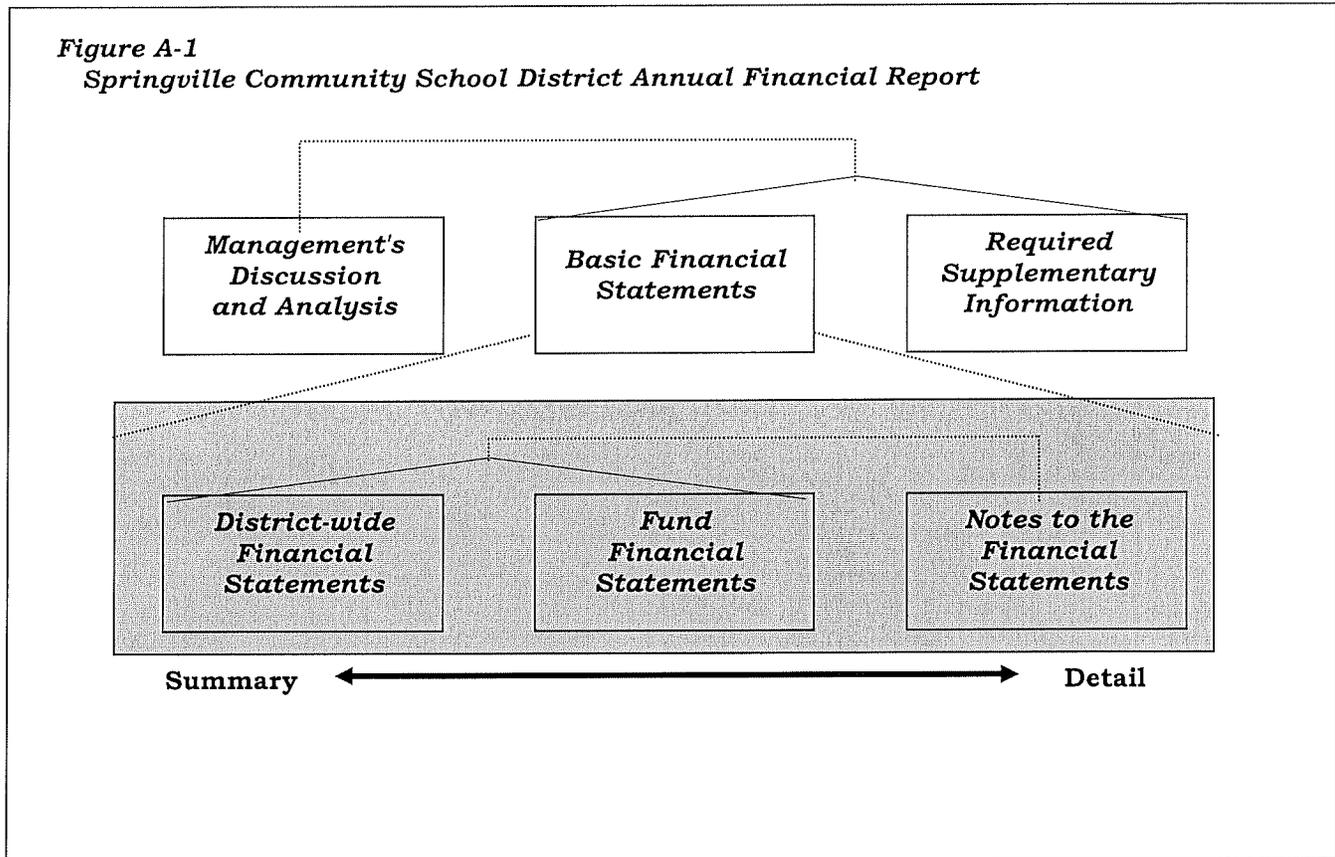


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Fund Statements	
	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 preschool
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • 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 and Debt Service 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, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$ 2,569,926	\$ 2,194,811	\$ 9,014	\$ 17,680	\$ 2,578,940	\$ 2,212,491	16.56%
Capital assets	<u>1,068,016</u>	<u>1,092,610</u>	<u>18,508</u>	<u>13,068</u>	<u>1,086,524</u>	<u>1,105,678</u>	-1.73%
Total assets	<u>3,637,942</u>	<u>3,287,421</u>	<u>27,522</u>	<u>30,748</u>	<u>3,665,464</u>	<u>3,318,169</u>	10.47%
Long-term obligations	802,425	907,597	-	-	802,425	907,597	-11.59%
Other liabilities	<u>1,855,482</u>	<u>1,747,342</u>	<u>18,005</u>	<u>9,471</u>	<u>1,873,487</u>	<u>1,756,813</u>	6.64%
Total liabilities	<u>2,657,907</u>	<u>2,654,939</u>	<u>18,005</u>	<u>9,471</u>	<u>2,675,912</u>	<u>2,664,410</u>	0.43%
Net assets							
Invested in capital assets, net of related debt	718,016	692,610	18,508	13,068	736,524	705,678	4.37%
Restricted	123,540	118,383	-	-	123,540	118,383	4.36%
Unrestricted	<u>138,479</u>	<u>(178,511)</u>	<u>(8,991)</u>	<u>8,209</u>	<u>129,488</u>	<u>(170,302)</u>	176.03%
Total net assets	<u>\$ 980,035</u>	<u>\$ 632,482</u>	<u>\$ 9,517</u>	<u>\$ 21,277</u>	<u>\$ 989,552</u>	<u>\$ 653,759</u>	51.36%

The District's combined net assets increased by approximately 51%, or \$335,793, 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 increased \$5,157, or approximately 4% over 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 \$299,790, or approximately 176%.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues							
Program revenues							
Charges for service and sales	\$ 492,314	\$ 458,352	\$ 128,158	\$ 140,048	\$ 620,472	\$ 598,400	3.69%
Operating grants	501,542	372,011	65,307	63,921	566,849	435,932	30.03%
Capital grants	-	15,185	-	-	-	15,185	100.00%
General revenues							
Property tax	1,541,515	1,294,456	-	-	1,541,515	1,294,456	19.09%
Unrestricted state grants	1,960,421	1,945,292	-	-	1,960,421	1,945,292	0.78%
Contributions and donations	7,000	296	-	-	7,000	296	100.00%
Unrestricted investment earnings	29,044	12,106	43	152	29,087	12,258	137.29%
Other	<u>27,512</u>	<u>11,050</u>	<u>-</u>	<u>-</u>	<u>27,512</u>	<u>11,050</u>	100.00%
Total revenues	<u>4,559,348</u>	<u>4,108,748</u>	<u>193,508</u>	<u>204,121</u>	<u>4,752,856</u>	<u>4,312,869</u>	10.20%
Program expenses							
Governmental activities							
Instruction	2,780,344	2,391,286	-	-	2,780,344	2,391,286	16.27%
Support services	1,211,347	1,121,918	-	-	1,211,347	1,121,918	7.97%
Non-instructional programs	-	-	205,268	193,713	205,268	193,713	5.97%
Other expenses	<u>220,104</u>	<u>237,912</u>	<u>-</u>	<u>-</u>	<u>220,104</u>	<u>237,912</u>	-7.49%
Total expenses	<u>4,211,795</u>	<u>3,751,116</u>	<u>205,268</u>	<u>193,713</u>	<u>4,417,063</u>	<u>3,944,829</u>	11.97%
Change in net assets	<u>\$ 347,553</u>	<u>\$ 357,632</u>	<u>\$ (11,760)</u>	<u>\$ 10,408</u>	<u>\$ 335,793</u>	<u>\$ 368,040</u>	-8.76%

In fiscal 2007, property tax and unrestricted state grants account for 76% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$4,752,856 of which \$4,559,348 was for governmental activities and \$193,508 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10% increase in revenues and a 12% increase in expenses. Property tax increased \$247,059 to fund increases in expenditures. The majority of increased expenses related to increases in salaries and benefits, building repair and maintenance, increase in transportation costs and repairs, textbooks, open enrollment and special education tuition, technology service, and increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$4,559,348 and expenses were \$4,211,795. The District was able to balance the budget by reducing expenses in areas other than salaries and benefits, 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		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$ 2,780,344	\$ 2,391,286	16.3%	\$ 1,949,362	\$ 1,708,322	14.1%
Support services	1,211,347	1,121,918	8.0%	1,203,351	1,120,533	7.4%
Other expenses	<u>220,104</u>	<u>237,912</u>	<u>-7.5%</u>	<u>65,226</u>	<u>76,713</u>	<u>-15.0%</u>
Total expenses	<u>\$ 4,211,795</u>	<u>\$ 3,751,116</u>	<u>12.3%</u>	<u>\$ 3,217,939</u>	<u>\$ 2,905,568</u>	<u>10.8%</u>

- The cost financed by users of the District's programs was \$492,314.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$501,542.
- The net cost of governmental activities was financed with \$1,541,515 in property taxes and \$1,960,421 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$193,508 representing a 5% decrease from the prior year and expenses totaled \$205,268, a 5% increase over 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 2007. The increase in expenses is due to salaries and benefits and the cost of a long-term substitute in the District's Preschool Program. In the School Nutrition Program for the 2006/2007 school year the increase in expenditures is attributable to the increase in salaries and benefits as well as the increase in cost of food and commodities.

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 \$608,202, well above last year's ending fund balances of \$449,367. However, the primary reason for the increase of \$158,835 in combined fund balances in fiscal 2007 is due to an increase in grants, tax growth due to increased valuations and revenue from the Income Surtax.

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 \$354,044 to \$459,151, due in part to the increase in the District tax base, instructional support levy, grants, and the reduction of expenditures.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$21,277 at June 30, 2006 to \$9,517 at June 30, 2007, representing a decrease of approximately 55%. The decrease in net assets is due to the decrease in cash, increase in accounts payable, and decrease in unrestricted assets.

BUDGETARY HIGHLIGHTS

The District did not amend its annual budget during the year ended June 30, 2007.

The District's revenues were \$212,791 more than budgeted revenues, a variance of 4%. The most significant variance resulted from the District receiving revenue from the Income Surtax, tuition, increase earnings on investments, and increased revenue from State and Federal sources.

Total expenditures were \$158,206 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1,086,525, 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 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 \$83,507.

The original cost of the District's capital assets was \$4,333,424. Governmental funds account for \$4,286,615, with the remainder of \$46,809 accounted for in the Proprietary, School Nutrition Fund.

There was little change in any of the categories since there were not many capital expenditures in fiscal 2007.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Land	\$ 215,023	\$ 215,023	\$ -	\$ -	\$ 215,023	\$ 215,023	0.00%
Buildings and improvements	669,879	688,329	-	-	669,879	688,329	-2.68%
Site improvements	10,560	10,783	-	-	10,560	10,783	-2.07%
Furniture and equipment	<u>172,554</u>	<u>178,475</u>	<u>18,509</u>	<u>13,068</u>	<u>191,063</u>	<u>191,543</u>	-0.25%
Totals	<u>\$ 1,068,016</u>	<u>\$1,092,610</u>	<u>\$18,509</u>	<u>\$13,068</u>	<u>\$1,086,525</u>	<u>\$1,105,678</u>	-1.73%

Long-Term Debt

At June 30, 2007, the District had \$802,425 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 12% 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
	<u>2007</u>	<u>2006</u>	<u>2006- 2007</u>
General obligation bonds	\$ 380,000	\$ 500,000	-24.00%
Capital loan notes	350,000	400,000	-12.50%
Early retirement	<u>72,425</u>	<u>7,597</u>	853.34%
Total	<u>\$ 802,425</u>	<u>\$ 907,597</u>	-11.59%

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 2007 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 2008. 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.

- The District's certified enrollment on October 1, 2007 was down 38.4 students. In response to this the district is taking the steps necessary to be prepared for the negative impact on the district financially in the 2008/09 school year. There is potential for growth and the district is optimistic that this decline enrollment is only temporary.

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 Stacey Matus, 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, 2007

Exhibit A

Assets	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 969,124	\$ 7,216	\$ 976,340
Receivables			
Property tax			
Delinquent	14,667	-	14,667
Succeeding year	1,415,492	-	1,415,492
Accounts receivable	562	-	562
Income surtax	107,758	-	107,758
Due from other governments	62,323	-	62,323
Inventories	-	1,798	1,798
Non-depreciable capital assets	215,023	-	215,023
Capital assets, net of accumulated depreciation	852,993	18,508	871,501
Total assets	<u>3,637,942</u>	<u>27,522</u>	<u>3,665,464</u>
Liabilities			
Accounts payable	118,440	7,529	125,969
Salaries and benefits payable	320,034	8,293	328,327
Accrued interest payable	1,516	-	1,516
Deferred revenue			
Succeeding year property tax	1,415,492	-	1,415,492
Other	-	2,183	2,183
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	125,000	-	125,000
Capital loan notes payable	55,000	-	55,000
Early retirement payable	21,986	-	21,986
Portion due after one year			
General obligation bonds payable	255,000	-	255,000
Capital loan notes payable	295,000	-	295,000
Early retirement payable	50,439	-	50,439
Total liabilities	<u>2,657,907</u>	<u>18,005</u>	<u>2,675,912</u>
Net Assets			
Invested in capital assets, net of related debt	718,016	18,508	736,524
Restricted for			
Teacher mentoring program	2,646	-	2,646
Physical plant and equipment levy	63,148	-	63,148
Other special revenue purposes	57,746	-	57,746
Unrestricted	138,479	(8,991)	129,488
Total net assets	<u>\$ 980,035</u>	<u>\$ 9,517</u>	<u>\$ 989,552</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

<u>Functions/Programs</u> Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Governmental activities	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government	Governmental Business Type Activities	Total
Instruction						
Regular instruction	\$ 2,033,569	\$ 313,771	\$ 274,061	\$ -	\$(1,445,737)	\$(1,445,737)
Special instruction	391,669	72,384	56,482	-	(262,803)	(262,803)
Other instruction	355,106	101,554	12,730	-	(240,822)	(240,822)
	<u>2,780,344</u>	<u>487,709</u>	<u>343,273</u>	<u>-</u>	<u>(1,949,362)</u>	<u>(1,949,362)</u>
Support services						
Student	62,375	-	-	-	(62,375)	(62,375)
Instructional staff	151,636	-	-	-	(151,636)	(151,636)
Administration	468,253	-	-	-	(468,253)	(468,253)
Operation and maintenance of plant	367,717	202	-	-	(367,515)	(367,515)
Transportation	161,366	4,403	3,391	-	(153,572)	(153,572)
	<u>1,211,347</u>	<u>4,605</u>	<u>3,391</u>	<u>-</u>	<u>(1,203,351)</u>	<u>(1,203,351)</u>
Other expenditures						
Facilities acquisition	12,721	-	-	-	(12,721)	(12,721)
Long-term debt interest	23,198	-	-	-	(23,198)	(23,198)
AEA flowthrough	154,878	-	154,878	-	-	-
Depreciation (unallocated) *	29,307	-	-	-	(29,307)	(29,307)
	<u>220,104</u>	<u>-</u>	<u>154,878</u>	<u>-</u>	<u>(65,226)</u>	<u>(65,226)</u>
Total governmental activities	<u>4,211,795</u>	<u>492,314</u>	<u>501,542</u>	<u>-</u>	<u>(3,217,939)</u>	<u>(3,217,939)</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Balance Sheet
 Governmental Funds
 June 30, 2007

Exhibit C

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 822,190	\$ 146,934	\$ 969,124
Receivables			
Property tax			
Delinquent	10,866	3,801	14,667
Succeeding year	1,063,162	352,330	1,415,492
Accounts receivable	562	-	562
Income surtax	107,758	-	107,758
Due from other governments	62,157	166	62,323
Due from other fund	-	30,299	30,299
Total assets	<u>\$2,066,695</u>	<u>\$ 533,530</u>	<u>\$2,600,225</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 116,590	\$ 1,850	\$ 118,440
Salaries and benefits payable	320,034	-	320,034
Due to other fund	-	30,299	30,299
Deferred revenue			
Succeeding year property tax	1,063,162	352,330	1,415,492
Income surtax	107,758	-	107,758
Total liabilities	<u>1,607,544</u>	<u>384,479</u>	<u>1,992,023</u>
 Fund balances			
Reserved for			
Teacher mentoring	2,646	-	2,646
Unreserved, governmental funds	456,505	(28,796)	427,709
Unreserved, special revenue funds	-	177,847	177,847
Total fund balances	<u>459,151</u>	<u>149,051</u>	<u>608,202</u>
Total liabilities and fund balances	<u>\$2,066,695</u>	<u>\$ 533,530</u>	<u>\$2,600,225</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Exhibit D

Total fund balances of governmental funds	\$ 608,202
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,068,016
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	107,758
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.	(1,516)
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(802,425)</u>
Net assets of governmental activities	<u>\$ 980,035</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues			
Local sources			
Local tax	\$1,084,525	\$ 349,231	\$1,433,756
Tuition	363,863	-	363,863
Other	80,030	111,976	192,006
State sources	2,318,082	-	2,318,082
Federal sources	143,883	-	143,883
Total revenues	<u>3,990,383</u>	<u>461,207</u>	<u>4,451,590</u>
Expenditures			
Current			
Instruction			
Regular	1,968,625	6,975	1,975,600
Special	391,669	-	391,669
Other	250,712	103,174	353,886
	<u>2,611,006</u>	<u>110,149</u>	<u>2,721,155</u>
Support services			
Student	62,375	-	62,375
Instructional staff	150,601	-	150,601
Administration	441,428	31,465	472,893
Operation and maintenance of plant	323,182	44,535	367,717
Transportation	141,806	6,929	148,735
	<u>1,119,392</u>	<u>82,929</u>	<u>1,202,321</u>
Other expenditures			
Facilities acquisition	-	20,821	20,821
Long-term debt			
Principal	-	170,000	170,000
Interest and fiscal charges	-	23,580	23,580
AEA flowthrough	154,878	-	154,878
	<u>154,878</u>	<u>214,401</u>	<u>369,279</u>
Total expenditures	<u>3,885,276</u>	<u>407,479</u>	<u>4,292,755</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Excess of revenues over expenditures	\$ 105,107	\$ 53,728	\$ 158,835
Other financing sources (uses)			
Interfund operating transfers in	-	61,947	61,947
Interfund operating transfers (out)	-	(61,947)	(61,947)
Total other financing sources	-	-	-
Net change in fund balances	105,107	53,728	158,835
Fund balance, beginning of year	354,044	95,323	449,367
Fund balance, end of year	\$ 459,151	\$ 149,051	\$ 608,202

See notes to financial statements.

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, 2007

Exhibit F

Net change in fund balances - total governmental funds \$158,835

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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 53,629	
Depreciation expense	<u>(78,223)</u>	(24,594)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 107,758

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. 170,000

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	(64,828)
------------------	----------

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. 382

Change in net assets of governmental activities \$347,553

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Statement of Net Assets
 Proprietary Funds
 June 30, 2007

Exhibit G

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>
Assets	
Cash and cash equivalents	\$ 7,216
Inventories	1,798
Capital assets, net of accumulated depreciation	<u>18,508</u>
Total assets	<u>27,522</u>
Liabilities	
Accounts payable	7,529
Salaries and benefits payable	8,293
Deferred revenue	<u>2,183</u>
Total liabilities	<u>18,005</u>
Net Assets	
Invested in capital assets	18,508
Unrestricted	<u>(8,991)</u>
Total net assets	<u>\$ 9,517</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

Exhibit H

	Business Type <u>Activities</u> <u>Nonmajor</u> <u>Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$128,158</u>
Operating expenses	
Support services	
Operation and maintenance of plant	<u>1,563</u>
Non-instructional programs	
Food service operations	180,455
Preschool operations	<u>23,250</u>
	<u>203,705</u>
Total operating expenses	<u>205,268</u>
Operating loss	<u>(77,110)</u>
Non-operating revenues	
Interest income	43
State sources	2,201
Federal sources	<u>63,106</u>
Total non-operating revenues	<u>65,350</u>
Net loss	(11,760)
Net assets, beginning of year	<u>21,277</u>
Net assets, end of year	<u>\$ 9,517</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

Exhibit I

	Business Type Activities
	Nonmajor Enterprise
Cash flows from operating activities	
Cash received from sale of services	\$ 129,898
Cash payments to employees for services	(92,778)
Cash payments to suppliers for goods and services	(92,489)
Net cash used in operating activities	(55,369)
Cash flows from non-capital financing activities	
State grants received	2,201
Federal grants received	55,056
Net cash provided by non-capital financing activities	57,257
Cash flows from capital and related financing activities	
Acquisition of capital assets	(10,725)
Cash flows from investing activities	
Interest on investments	43
Net decrease in cash and cash equivalents	(8,794)
Cash and cash equivalents, beginning of year	16,010
Cash and cash equivalents, end of year	\$ 7,216
 Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (77,110)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,284
Commodities used	8,050
Decrease in accounts receivable	1,003
(Increase) in inventory	(1,131)
Increase in accounts payable	7,529
Increase in deferred revenue	738
Increase in accrued salaries and benefits	268
Net cash used in operating activities	\$ (55,369)

Non-cash investing, capital and financing activities

During the year ended June 30, 2007, the District received \$8,050 of federal commodities.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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 not meeting 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 fund:

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. However, it reports two non-major enterprise funds, the School Nutrition Fund and Preschool Fund, which are used to account for the school nutrition and preschool operations of the district.

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 funds are 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 twelve 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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	\$2,500

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 Termination Benefit - 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, 2007. 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 and income surtax receivables not collected within sixty days after year end and amounts paid by students for meals not yet served.

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 and amounts paid by students for meals not yet served.

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 Balance - 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.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports no restricted net assets which are restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 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 meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40 at June 30, 2007.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Non-major governmental funds	\$ 30,299	\$ 30,299

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, 2007 is as follows:

Fund	Transfers In	Transfers Out
Non-major governmental funds	\$ 61,947	\$ 61,947

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. These transfers were to move funds from the Physical Plant and Equipment Levy Fund to the Debt Service Fund for payment of principal and interest on debt.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 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	2,938,549	8,100	-	2,946,649
Site improvements	11,159	-	-	11,159
Furniture and equipment	<u>1,068,255</u>	<u>45,529</u>	-	<u>1,113,784</u>
Total capital assets being depreciated	<u>4,017,963</u>	<u>53,629</u>	-	<u>4,071,592</u>
Less accumulated depreciation for:				
Buildings and improvements	2,250,220	26,550	-	2,276,770
Site improvements	376	223	-	599
Furniture and equipment	<u>889,780</u>	<u>51,450</u>	-	<u>941,230</u>
Total accumulated depreciation	<u>3,140,376</u>	<u>78,223</u>	-	<u>3,218,599</u>
Total capital assets being depreciated, net	<u>877,587</u>	<u>(24,594)</u>	-	<u>852,993</u>
Governmental activities capital assets, net	<u>\$ 1,092,610</u>	<u>\$ (24,594)</u>	<u>\$ -</u>	<u>\$ 1,068,016</u>

Business type activities

Furniture and equipment	\$ 36,084	\$ 10,725	\$ -	\$ 46,809
Less accumulated depreciation	<u>23,016</u>	<u>5,284</u>	<u>-</u>	<u>28,300</u>
Business type activities capital assets, net	<u>\$ 13,068</u>	<u>\$ 5,441</u>	<u>\$ -</u>	<u>\$ 18,509</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 13,121
Other	3,861
Support services	
Instructional staff	1,035
Administration	773
Transportation	30,126
Unallocated depreciation	<u>29,307</u>
Total governmental activities depreciation expense	<u>\$ 78,223</u>

Business type activities

Food services	<u>\$ 5,284</u>
---------------	-----------------

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 500,000	\$ -	\$(120,000)	\$ 380,000	\$ 125,000
Capital loan notes	400,000	-	(50,000)	350,000	55,000
Early retirement	<u>7,597</u>	<u>72,425</u>	<u>(7,597)</u>	<u>72,425</u>	<u>21,986</u>
Totals	<u>\$ 907,597</u>	<u>\$ 72,425</u>	<u>\$(177,597)</u>	<u>\$ 802,425</u>	<u>\$ 201,986</u>

Interest costs incurred and charged to expense on all long-term debt was \$23,198 for the year ended June 30, 2007. During the year ended June 30, 2007, the District made principal payments on total long-term debt of \$170,000.

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 were all retired as of June 30, 2004. A summary of the District's June 30, 2007 general obligation refunding bonded indebtedness is as follows:

Year Ending June 30,	Bond issue of April 1, 2004			
	Interest Rates	Principal	Interest	Total
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>\$ 380,000</u>	<u>\$ 19,040</u>	<u>\$ 399,040</u>

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
2008	2.45%	\$ 55,000	\$ 10,448	\$ 65,448
2009	2.70%	55,000	9,100	64,100
2010	2.90%	55,000	7,615	62,615
2011	3.10%	60,000	6,020	66,020
2012	3.25%	60,000	4,160	64,160
2013	3.40%	<u>65,000</u>	<u>2,210</u>	<u>67,210</u>
Totals		<u>\$ 350,000</u>	<u>\$ 39,553</u>	<u>\$ 389,553</u>

Early Retirement Termination Benefit

The District offers a voluntary early retirement plan to its certified employees. Eligible employees are required to be at least 55 years of age and have completed 15 years of consecutive service to the District. Employees must have completed an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to one-half of the employee's salary for the year in which he/she applies to participate in the early retirement plan. The retiree receives the early retirement benefits in three equal payments with the first payment being made on or before July 2 in the calendar year in which the employee is approved for early retirement. The retiree may elect to leave their benefit in the Management

Fund to be used to pay the retiree's medical insurance until the benefit is completely used.

At June 30, 2007, the District had obligations to four participants with a total liability of \$72,425. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$7,597.

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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$121,968, \$119,963 and \$115,947 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 \$154,878 adjusting entry to the cash basis financial statements.

Note 10. Deficit Balances

The District had an unreserved, undesignated fund deficit in the Debt Service Fund of \$28,796 and unrestricted net asset deficits in the School Nutrition Fund and Preschool Fund of \$6,538 and \$2,453, respectively at June 30, 2007.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Subsequent Event

Voters in Linn County passed the School Infrastructure Local Option Tax during the year ended June 30, 2007. The tax is imposed on specified retail sales in the county at a rate of 1% for a 10-year period, beginning July 1, 2007. The District expects to receive approximately \$500,000 annually from this tax beginning with the fiscal year ending June 30, 2008.

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, 2007

	Governmental Funds		Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Actual		Funds Actual		Actual	Original	
Revenues							
Local sources	\$1,989,625		\$128,201	\$2,117,826	\$1,940,514	\$1,940,514	\$ 177,312
State sources	2,318,082		2,201	2,320,283	2,377,793	2,377,793	(57,510)
Federal sources	143,883		63,106	206,989	114,000	114,000	92,989
Total revenues	<u>4,451,590</u>		<u>193,508</u>	<u>4,645,098</u>	<u>4,432,307</u>	<u>4,432,307</u>	<u>212,791</u>
Expenditures							
Instruction	2,721,155		-	2,721,155	2,790,405	2,790,405	69,250
Support services	1,202,321		1,563	1,203,884	1,243,200	1,243,200	39,316
Non-instructional programs	-		203,705	203,705	214,000	214,000	10,295
Other expenditures	369,279		-	369,279	408,624	408,624	39,345
Total expenditures	<u>4,292,755</u>		<u>205,268</u>	<u>4,498,023</u>	<u>4,656,229</u>	<u>4,656,229</u>	<u>158,206</u>
Excess (deficiency) of revenues over (under) expenditures							
Balance, beginning of year	158,835		(11,760)	147,075	(223,922)	(223,922)	370,997
Balance, end of year	<u>449,367</u>		<u>21,277</u>	<u>470,644</u>	<u>258,437</u>	<u>258,437</u>	<u>212,207</u>
	<u>\$ 608,202</u>		<u>\$ 9,517</u>	<u>\$ 617,719</u>	<u>\$ 34,515</u>	<u>\$ 34,515</u>	<u>\$ 583,204</u>

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2007

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 and each major Special Revenue 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. 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. 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 function 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.

Other Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Schedule 1

	Special Revenue				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
Assets					
Cash and pooled investments	\$ 25,798	\$59,596	\$ 61,540	\$ -	\$146,934
Receivables					
Property tax					
Delinquent	820	-	1,541	1,440	3,801
Succeeding year	75,000	-	142,834	134,496	352,330
Due from other governments	36	-	67	63	166
Due from other fund	30,299	-	-	-	30,299
Total assets	<u>\$131,953</u>	<u>\$59,596</u>	<u>\$205,982</u>	<u>\$135,999</u>	<u>\$533,530</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 1,850	\$ -	\$ -	\$ 1,850
Due to other fund	-	-	-	30,299	30,299
Deferred revenue					
Succeeding year property tax	75,000	-	142,834	134,496	352,330
Total liabilities	75,000	1,850	142,834	164,795	384,479
Fund balances					
Unreserved fund balances	56,953	57,746	63,148	(28,796)	149,051
Total liabilities and fund balances	<u>\$131,953</u>	<u>\$59,596</u>	<u>\$205,982</u>	<u>\$135,999</u>	<u>\$533,530</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, 2007

Schedule 2

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Debt	Total
Revenues	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u> </u>
Local sources					
Local taxes	\$ 75,373	\$ -	\$141,568	\$132,290	\$ 349,231
Other	6,491	102,136	2,145	1,204	111,976
Total revenues	81,864	102,136	143,713	133,494	461,207
Expenditures					
Current					
Instruction					
Regular	6,975	-	-	-	6,975
Other	-	103,174	-	-	103,174
Total instruction	6,975	103,174	-	-	110,149
Support services					
Administration	29,051	-	2,414	-	31,465
Operation and maintenance of plant	27,835	-	16,700	-	44,535
Transportation	6,929	-	-	-	6,929
Total support services	63,815	-	19,114	-	82,929
Other expenditures					
Facilities acquisition	-	-	20,821	-	20,821
Long-term debt					
Principal	-	-	-	170,000	170,000
Interest and fiscal charges	-	-	-	23,580	23,580
Total other expenditures	-	-	20,821	193,580	214,401
Total expenditures	70,790	103,174	39,935	193,580	407,479
Excess (deficiency) of revenues over (under) expenditures	11,074	(1,038)	103,778	(60,086)	53,728
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	61,947	61,947
Interfund operating transfers (out)	-	-	(61,947)	-	(61,947)
Total other financing sources (uses)	-	-	(61,947)	61,947	-
Net change in fund balances	11,074	(1,038)	41,831	1,861	53,728
Fund balances, beginning of year	45,879	58,784	21,317	(30,657)	95,323
Fund balances, end of year	\$ 56,953	\$57,746	\$ 63,148	\$ (28,796)	\$ 149,051

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 June 30, 2007

Schedule 3

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Assets			
Cash and cash equivalents	\$ 6,973	\$ 243	\$ 7,216
Inventories	1,798	-	1,798
Capital assets, net of accumulated depreciation	<u>18,508</u>	<u>-</u>	<u>18,508</u>
Total assets	<u>27,279</u>	<u>243</u>	<u>27,522</u>
Liabilities			
Accounts payable	7,297	232	7,529
Salaries and benefits payable	5,829	2,464	8,293
Deferred revenue	<u>2,183</u>	<u>-</u>	<u>2,183</u>
Total liabilities	<u>15,309</u>	<u>2,696</u>	<u>18,005</u>
Net Assets			
Invested in capital assets	18,508	-	18,508
Unrestricted	<u>(6,538)</u>	<u>(2,453)</u>	<u>(8,991)</u>
Total net assets	<u>\$11,970</u>	<u>\$ (2,453)</u>	<u>\$ 9,517</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2007

Schedule 4

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Operating revenue			
Local sources			
Charges for service	<u>\$ 106,794</u>	<u>\$21,364</u>	<u>\$ 128,158</u>
Operating expenses			
Support Services			
Operation and maintenance of plant			
Purchased services	204	-	204
Supplies	<u>1,359</u>	<u>-</u>	<u>1,359</u>
	<u>1,563</u>	<u>-</u>	<u>1,563</u>
Non-instructional programs			
Salaries	57,838	17,886	75,724
Benefits	12,381	4,941	17,322
Purchased services	1,809	-	1,809
Supplies	103,143	423	103,566
Depreciation	<u>5,284</u>	<u>-</u>	<u>5,284</u>
	<u>180,455</u>	<u>23,250</u>	<u>203,705</u>
Total operating expenses	<u>182,018</u>	<u>23,250</u>	<u>205,268</u>
Operating loss	<u>(75,224)</u>	<u>(1,886)</u>	<u>(77,110)</u>
Non-operating revenue			
Interest income	43	-	43
State sources	2,201	-	2,201
Federal sources	<u>63,106</u>	<u>-</u>	<u>63,106</u>
Total non-operating revenue	<u>65,350</u>	<u>-</u>	<u>65,350</u>
Net loss	(9,874)	(1,886)	(11,760)
Net assets, beginning of year	<u>21,844</u>	<u>(567)</u>	<u>21,277</u>
Net assets, end of year	<u>\$ 11,970</u>	<u>\$ (2,453)</u>	<u>\$ 9,517</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

Schedule 5

	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Preschool</u>	
Cash flows from operating activities			
Cash received from sale of services	\$ 108,534	\$21,364	\$ 129,898
Cash payments to employees for services	(70,024)	(22,754)	(92,778)
Cash payments to suppliers for goods and services	(92,298)	(191)	(92,489)
Net cash used in operating activities	<u>(53,788)</u>	<u>(1,581)</u>	<u>(55,369)</u>
Cash flows from non-capital financing activities			
State grants received	2,201	-	2,201
Federal grants received	55,056	-	55,056
Net cash provided by non-capital financing activities	<u>57,257</u>	<u>-</u>	<u>57,257</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(10,725)	-	(10,725)
Cash flows from investing activities			
Interest on investments	43	-	43
Net decrease in cash and cash equivalents	(7,213)	(1,581)	(8,794)
Cash and cash equivalents, beginning of year	14,186	1,824	16,010
Cash and cash equivalents, end of year	<u>\$ 6,973</u>	<u>\$ 243</u>	<u>\$ 7,216</u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$ (75,224)	\$ (1,886)	\$ (77,110)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	5,284	-	5,284
Commodities used	8,050	-	8,050
Decrease in accounts receivable	1,003	-	1,003
(Increase) in inventory	(1,131)	-	(1,131)
Increase in accounts payable	7,297	232	7,529
Increase in deferred revenue	738	-	738
Increase in accrued salaries and benefits	195	73	268
Net cash used in operating activities	<u>\$ (53,788)</u>	<u>\$ (1,581)</u>	<u>\$ (55,369)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$8,050 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, 2007

Schedule 6

Account	Balance, Beginning <u>of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
Cross country	\$ 163	\$ 612	\$ 581	\$ 194
Football	1,164	6,650	4,172	3,642
Boys golf	402	499	796	105
Art club	-	525	-	525
HS instrumental	776	9,740	10,349	167
School cents	2,509	2,400	2,159	2,750
Fine arts	-	1,500	952	548
Interest	2,711	1,213	-	3,924
Central office	462	75	164	373
Book fair	2,176	3,642	3,476	2,342
Drama	308	832	464	676
Art club	256	525	-	781
Pictures	1,389	1,356	902	1,843
Library fines	434	544	343	635
Garden project	810	550	967	393
Yearbook	1,422	6,375	2,482	5,315
National Honor Society	85	5	-	90
Student senate - MS	238	-	-	238
Student senate - HS	862	1,123	861	1,124
Class of 2007	2,733	2	2,049	686
Class of 2008	826	6,082	5,634	1,274
Class of 2009	2,357	170	120	2,407
Class of 2010	2,442	287	120	2,609
Class of 2011	1,848	1,119	1,327	1,640
Class of 2012	821	819	120	1,520
Class of 2013	-	819	120	699
Boys basketball	492	760	404	848
Boys baseball	1,038	50	370	718
Boys track	362	52	-	414
Wrestling	846	369	576	639

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, 2007

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
Girls basketball	\$ 1,355	\$ 2,191	\$ 2,569	\$ 977
Girls volleyball	1,811	3,212	3,898	1,125
Girls softball	1,544	240	1,773	11
Girls track	1,720	3,156	3,520	1,356
Gate money	5,213	25,004	25,214	5,003
Activities director	1,376	5,413	5,773	1,016
Weight room	146	-	-	146
Cheerleading	2,057	1,793	1,435	2,415
Vocal resale	1,271	2,668	2,082	1,857
Supply store	1,123	-	-	1,123
Pictures	5,646	8,738	12,706	1,678
Jump Rope for Heart	111	-	-	111
Student senate - elementary	4,297	331	3,649	979
Elementary instrumental resale	<u>1,182</u>	<u>695</u>	<u>1,047</u>	<u>830</u>
Totals	<u>\$ 58,784</u>	<u>\$ 102,136</u>	<u>\$ 103,174</u>	<u>\$ 57,746</u>

See accompanying Independent Auditor's Report.

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

Schedule 7

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues				
Local sources				
Local tax	\$1,433,756	\$1,294,457	\$1,235,683	\$1,163,863
Tuition	363,863	329,805	315,579	299,433
Other	192,006	151,998	124,320	115,037
State sources	2,318,082	2,246,880	2,083,190	1,967,842
Federal sources	143,883	85,608	64,116	82,265
Total revenues	<u>\$4,451,590</u>	<u>\$4,108,748</u>	<u>\$3,822,888</u>	<u>\$3,628,440</u>
Expenditures				
Current				
Instruction				
Regular	\$1,975,600	\$1,690,720	\$1,723,222	\$1,729,933
Special	391,669	388,496	426,064	365,774
Other	353,886	350,761	368,467	239,802
Support services				
Student	62,375	55,388	15,750	15,448
Instructional staff	150,601	156,447	165,882	116,071
Administration	472,893	428,280	437,637	487,216
Operation and maintenance of plant	367,717	355,078	343,560	296,785
Transportation	148,735	113,893	92,258	94,145
Other expenditures				
Facilities acquisition	20,821	84,260	43,784	322,540
Long-term debt				
Principal	170,000	175,000	165,000	155,000
Interest and other charges	23,580	26,504	31,081	74,673
AEA flowthrough	154,878	146,014	133,842	133,943
Total expenditures	<u>\$4,292,755</u>	<u>\$3,970,841</u>	<u>\$3,946,547</u>	<u>\$4,031,330</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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

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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 22, 2008. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Springville Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Springville Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Springville Community School District's ability to initiate, authorize, record process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a

remote likelihood a misstatement of Springville Community School District's financial statements that is more than inconsequential will not be prevented or detected by Springville Community School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Springville Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items A and B are material weaknesses.

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, 2007 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.

Springville Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions in the District's responses, I did not audit Springville Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Springville Community School District and other parties to whom Springville Community School 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.

A handwritten signature in cursive script that reads "Kay L. Chapman, CPA PC".

Kay L. Chapman, CPA PC
February 22, 2008

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- 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.

- B. Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires the business manager or district management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. The business manager is able to perform the duties required in the normal course of business and to prepare the CAR in accordance with the Department of Education requirements. However, the business manager presently lacks the qualifications and training to appropriately prepare the annual financial statements and footnote disclosures in compliance with GAAP. This is a common situation in small entities where accounting personnel typically do not have four-year accounting degrees and do not receive annual training in order to stay current on new accounting and reporting standards and requirements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Recommendation - The business manager should consider obtaining GAAP knowledge through reading relevant accounting literature and/or attending professional education courses to help her significantly improve her ability to prepare reliable GAAP financial statements, including footnote disclosures.

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We will investigate alternatives to our controls, but believe that it would not be an efficient use of District funds to get the necessary training for the business manager to comply with this recommendation.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2007 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures 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, 2007

9. Certified Annual Reports - The Certified Annual Report was certified to the Department of Education timely and no material errors were noted.
10. Images of Checks - The District does not receive cancelled checks from the bank. The bank provides images of the district checks. However, the bank does not provide images of the backs of the checks, only images of the front of the checks.

Recommendation - Chapter 554D.114 of the Code of Iowa requires districts to retain cancelled checks or electronic records of the information contained on the front and back of each check. The District should ensure that it receives images of both the front and back of each check from the bank in order to comply with the Code of Iowa.

Response - We will contact our bank about receiving the images of front and back of checks.

Conclusion - Response accepted.

11. Financial Condition - The District had an unreserved, undesignated deficit in the Debt Service Fund of \$28,796 and the School Nutrition Fund and Preschool Fund had unrestricted net assets of \$6,538 and \$2,453, respectively at June 30, 2007.

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, 2007

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant