SPRINGVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2008

	Exhibit	Page
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-13
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Governmental Fund Financial Statements		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements		
Statement of Net Assets	G	23
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-36
Required Supplementary Information		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		38
Notes to Required Supplementary Information - Budgetary Reporting		39

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2008

Other Supplementary Information	Schedule	Page
Nonmajor Governmental Funds		
Combining Balance Sheet	1	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	42
Nonmajor Enterprise Funds		
Combining Statement of Net Assets	3	43
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	4	44
Combining Statement of Cash Flows	5	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	46-47
Schedule of Revenues by Source and Expenditures/Expenses by Function - All Governmental Funds	7	48
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		49-51
Schedule of Findings		52-54
Audit Staff		55

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Officials
June 30, 2008

Name	Title	Term Expires
	Board of Education	
	(Before September 2007 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
	(After September 2007 Election)	
Lee Ann Grimley	Board President	2009
Judy Studt	Board Member	2008
Tami Gillmore	Board Member	2008
Dennis Thies	Board Member	2010
Todd Nulle	Board Member	2010
	School Officials	
Terry Rhinehart	Superintendent	2008
Stacey Matus	District Secretary/Treasurer	2008
Brian Gruhn	Attorney	2008

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, 2008, 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, 2008, 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 March 28, 2009 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, 2007 (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, 2008, 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
March 28, 2009

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $3,990,383 in fiscal 2007 to $4,147,958 in fiscal 2008, and General Fund expenditures increased from $3,885,276 in fiscal 2007 to $4,115,847 in fiscal 2008. The District's General Fund balance increased from $459,151 in fiscal 2007 to $494,208 in fiscal 2008, an 8% increase.

- The increase in General Fund revenue was attributable to an increase in instructional support levy surtax in fiscal 2008, increase in property tax revenues, increase in open enrollment tuition, and increase in state categorical aid. The increase in expenditures was due primarily to salaries and benefits 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 2008. As a result, the District was able to increase its cash balance.

- A decrease in interest rates during the past fiscal year resulted in interest earnings in the General Fund alone decreasing from $23,611 in fiscal 2007 to $21,906 in fiscal 2008.

- The district was able to grow its unspent authorized budget $188,348 from fiscal 2007 to fiscal 2008.

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 and Enterprise 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

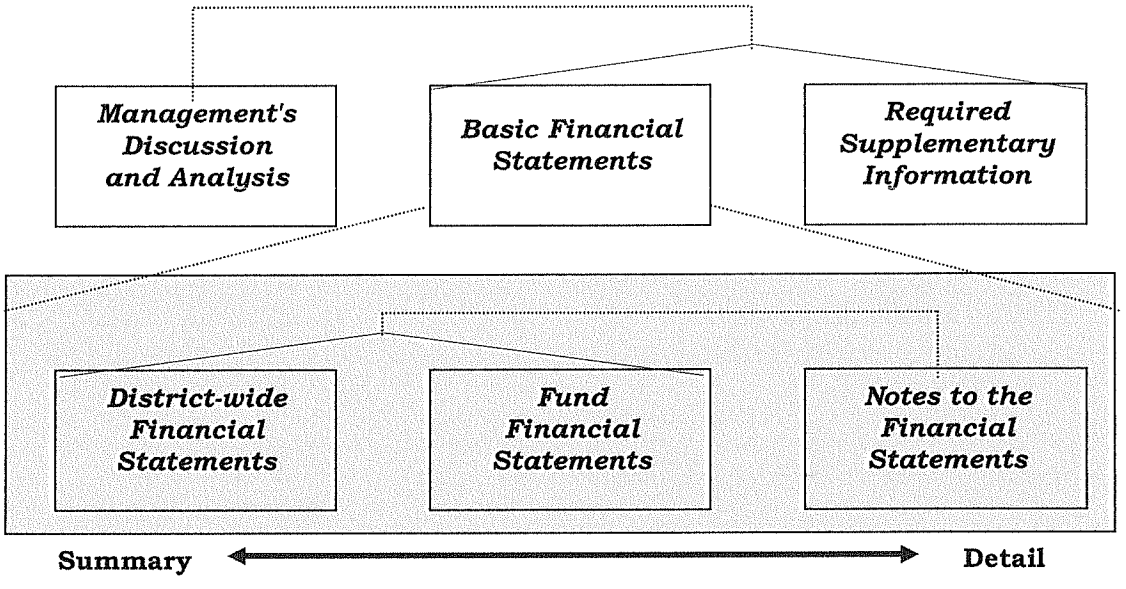

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	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	• 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, Capital Projects Fund 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 net assets, 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, 2008 compared to June 30, 2007.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	$ 3,261,994	$ 2,569,926	$ 11,450	$ 9,014	$ 3,273,444	$ 2,578,940	26.93%
Capital assets	1,130,399	1,068,016	14,907	18,508	1,145,306	1,086,524	5.41%
Total assets	4,392,393	3,637,942	26,357	27,522	4,418,750	3,665,464	20.55%
Long-term liabilities	600,406	802,425	-	-	600,406	802,425	-25.18%
Other liabilities	2,102,372	1,855,482	32,750	18,005	2,135,122	1,873,487	13.97%
Total liabilities	2,702,778	2,657,907	32,750	18,005	2,735,528	2,675,912	2.23%
Net assets							
Invested in capital assets, net of related debt	835,399	718,016	14,907	18,508	850,306	736,524	15.45%
Restricted	536,755	123,540	-	-	536,755	123,540	334.48%
Unrestricted	317,461	138,479	(21,300)	(8,991)	296,161	129,488	128.72%
Total net assets	$ 1,689,615	$ 980,035	$ (6,393)	$ 9,517	$ 1,683,222	$ 989,552	70.10%

The District's combined net assets increased by approximately 70%, or $693,670, 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 $413,215, or approximately 334% 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 $166,673, or approximately 129%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4

Change in Net Assets

Revenues	Governmental Activities 2008	Governmental Activities 2007	Business Type Activities 2008	Business Type Activities 2007	Total District 2008	Total District 2007	Total Change 2007-2008
Program revenues							
Charges for service and sales	$ 579,429	$ 492,314	$ 138,797	$ 128,158	$ 718,226	$ 620,472	15.75%
Operating grants	538,301	501,542	54,491	65,307	592,792	566,849	4.58%
General revenues							
Property tax	1,560,848	1,541,515	-	-	1,560,848	1,541,515	1.25%
Local option sales and services tax	462,529	-	-	-	462,529	-	100.00%
Unrestricted state grants	1,948,096	1,960,421	-	-	1,948,096	1,960,421	-0.63%
Contributions and donations	1,113	7,000	-	-	1,113	7,000	-84.10%
Unrestricted investment earnings	30,363	29,044	46	43	30,409	29,087	4.54%
Other	10,786	27,512	-	-	10,786	27,512	-60.80%
Total revenues	5,131,465	4,559,348	193,334	193,508	5,324,799	4,752,856	12.03%
Program expenses							
Governmental activities							
Instruction	2,845,505	2,780,344	-	-	2,845,505	2,780,344	2.34%
Support services	1,329,554	1,211,347	-	-	1,329,554	1,211,347	9.76%
Non-instructional programs	13,683	-	209,244	205,268	222,927	205,268	8.60%
Other expenses	233,143	220,104	-	-	233,143	220,104	5.92%
Total expenses	4,421,885	4,211,795	209,244	205,268	4,631,129	4,417,063	4.85%
Change in net assets	$ 709,580	$ 347,553	$ (15,910)	$ (11,760)	$ 693,670	$ 335,793	106.58%

In fiscal 2008, property tax and unrestricted state grants account for 68% 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 $5,324,799 of which $5,131,465 was for governmental activities and $193,334 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12% increase in revenues and a 5% increase in expenses. Property tax increased $59,964 and the district received local option sales and service tax revenues 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, 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 $5,131,465 and expenses were $4,421,885 for the year ended June 30, 2008. The District was able to balance the budget by reducing expenses in areas other than salaries and benefits, and reducing staff, 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, for the year ended June 30, 2008.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2008	2007	2007-2008	2008	2007	2007-2008
Instruction	$ 2,845,505	$ 2,780,344	2.3%	$ 1,906,524	$ 1,949,362	-2.2%
Support services	1,329,554	1,211,347	9.8%	1,314,884	1,203,351	9.3%
Non-instructional programs	13,683	-	100.0%	13,683	-	100.0%
Other expenses	233,143	220,104	5.9%	69,064	65,226	5.9%
Total expenses	$ 4,421,885	$ 4,211,795	5.0%	$ 3,304,155	$ 3,217,939	2.7%

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was $579,429.
- Federal and state governments subsidized certain programs with grants and contributions totaling $538,301.
- The net cost of governmental activities was financed with $2,023,377 in property and other taxes and $1,948,096 in unrestricted state grants.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2008 were $193,334 representing a less than 1% decrease from the prior year and expenses totaled $209,244, a 2% 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, tuition, 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 2008. 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 2006/07 school year in which the district has not been able to recoup the loss. In the School Nutrition Program for the 2007/2008 school year the increase in expenditures is attributable to the increase in salaries and benefits, cost of substitutes, 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 $1,053,160, well above last year's ending fund balances of $608,202. The primary reason for the increase of $444,958 in combined fund balances in fiscal 2008 is due to an increase in state categorical funding, 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 $459,151 to $494,208, due in part to the increase in the District tax base, instructional support levy, the reduction of expenditures and the reduction in staff.

- The Capital Projects Fund balance increased from zero to $448,753 due to collection of local option sales and services tax revenues starting in fiscal 2008.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from $9,517 at June 30, 2007 to $(6,393) at June 30, 2008, representing a decrease of approximately 167%. 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, 2008.

The District's revenues were $63,880 less than budgeted revenues, a variance of 1%. The most significant variance resulted from the District receiving less revenue than budgeted from State Foundation Aid, student activity and sales, Property Tax, State and Federal sources, and revenue from local sources.

Total expenditures were $1,437,908 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at near 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, 2008, the District had invested $1,145,307, 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 5% 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 $93,753.

The original cost of the District's capital assets was $4,485,959. Governmental funds account for $4,439,150, with the remainder of $46,809 accounted for in the Proprietary, School Nutrition Fund.

The largest change was in the furniture and equipment category, which increased from $191,063 at June 30, 2007 to $260,160 at June 30, 2008 due to the purchase of a bus, van, mower, tractor and other equipment.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Land	$ 215,023	$ 215,023	$ -	$ -	$ 215,023	$ 215,023	0.00%
Buildings and improvements	659,787	669,879	-	-	659,787	669,879	-1.51%
Site improvements	10,337	10,560	-	-	10,337	10,560	-2.11%
Furniture and equipment	245,252	172,554	14,908	18,509	260,160	191,063	36.16%
Totals	$ 1,130,399	$1,068,016	$14,908	$18,509	$1,145,307	$1,086,525	5.41%

Long-Term Debt

At June 30, 2008, the District had $600,406 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 25% 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
	2008	2007	2007-2008
General obligation bonds	$ 255,000	$ 380,000	-32.89%
Capital loan notes	295,000	350,000	-15.71%
Early retirement	50,406	72,425	-30.40%
Total	$ 600,406	$ 802,425	-25.18%

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 2008 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 2009. 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, 2009 was down 23.1 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 2009/10 school year. There is potential for growth and the district is optimistic that this decline enrollment is only temporary.

- The District is also taking measures to protect the General Fund budget with the 2009/10 reduction in allowable growth funding and any future State/Federal budget cuts.

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, 2008

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	$1,393,440	$ 10,348	$ 1,403,788
Receivables			
Property tax			
Delinquent	8,875	-	8,875
Succeeding year	1,582,256	-	1,582,256
Accounts receivable	2,294	480	2,774
Income surtax	107,758	-	107,758
Due from other governments	146,662	39	146,701
Due from other fund	20,709	-	20,709
Inventories	-	583	583
Non-depreciable capital assets	215,023	-	215,023
Capital assets, net of accumulated depreciation	915,376	14,907	930,283
Total assets	4,392,393	26,357	4,418,750
Liabilities			
Accounts payable	174,278	2,476	176,754
Salaries and benefits payable	344,542	8,873	353,415
Accrued interest payable	1,296	-	1,296
Due to other fund	-	20,709	20,709
Deferred revenue			
Succeeding year property tax	1,582,256	-	1,582,256
Other	-	692	692
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	23,944	-	23,944
Portion due after one year			
General obligation bonds payable	130,000	-	130,000
Capital loan notes payable	240,000	-	240,000
Early retirement payable	26,462	-	26,462
Total liabilities	2,702,778	32,750	2,735,528
Net Assets			
Invested in capital assets, net of related debt	835,399	14,907	850,306
Restricted for			
Management levy	8,845	-	8,845
Physical plant and equipment levy	7,165	-	7,165
Other special revenue purposes	71,992	-	71,992
Capital projects	448,753	-	448,753
Unrestricted	317,461	(21,300)	296,161
Total net assets	$1,689,615	$ (6,393)	$ 1,683,222

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2008

Exhibit B

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	$ 2,026,090	$ 507,904	$ 303,708	$ -	$(1,214,478)	$ -	$(1,214,478)
Special instruction	379,056	60,585	61,382	-	(257,089)	-	(257,089)
Other instruction	440,359	1,315	4,087	-	(434,957)	-	(434,957)
	2,845,505	569,804	369,177	-	(1,906,524)	-	(1,906,524)
Support services							
Student	84,957	-	-	-	(84,957)	-	(84,957)
Instructional staff	167,983	-	-	-	(167,983)	-	(167,983)
Administration	526,477	-	-	-	(526,477)	-	(526,477)
Operation and maintenance of plant	384,320	-	-	-	(384,320)	-	(384,320)
Transportation	165,817	9,625	5,045	-	(151,147)	-	(151,147)
	1,329,554	9,625	5,045	-	(1,314,884)	-	(1,314,884)
Non-instructional programs	13,683	-	-	-	(13,683)	-	(13,683)
Other expenditures							
Facilities acquisition	19,296	-	-	-	(19,296)	-	(19,296)
Long-term debt interest	20,125	-	-	-	(20,125)	-	(20,125)
AEA flowthrough	164,079	-	164,079	-	-	-	-
Loss on disposal of capital assets	-	-	-	-	-	-	-
Depreciation (unallocated) *	29,643	-	-	-	(29,643)	-	(29,643)
	233,143	-	164,079	-	(69,064)	-	(69,064)
Total governmental activities	4,421,885	579,429	538,301	-	(3,304,155)	-	(3,304,155)

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs (continued)	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							
Food service operations	$ 184,873	$ 122,764	$ 54,491	$ -	$ -	$ (7,618)	$ (7,618)
Preschool program	24,371	16,033	-	-	-	(8,338)	(8,338)
Total business type activities	209,244	138,797	54,491	-	-	(15,956)	(15,956)
Total	$ 4,631,129	$ 718,226	$ 592,792	$ -	(3,304,155)	(15,956)	(3,320,111)
General Revenues							
Property tax levied for							
General purposes					1,284,153	-	1,284,153
Debt service					134,462	-	134,462
Capital outlay					142,233	-	142,233
Local option sales and services tax					462,529	-	462,529
Unrestricted state grants					1,948,096	-	1,948,096
Contributions and donations					1,113	-	1,113
Unrestricted investment earnings					30,363	46	30,409
Other					10,786	-	10,786
Total general revenues					4,013,735	46	4,013,781
Change in net assets					709,580	(15,910)	693,670
Net assets, beginning of year					980,035	9,517	989,552
Net assets, end of year					$ 1,689,615	$ (6,393)	$ 1,683,222

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

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	$ 904,592	$387,504	$101,344	$1,393,440
Receivables				
Property tax				
Delinquent	6,667	-	2,208	8,875
Succeeding year	1,221,053	-	361,203	1,582,256
Accounts receivable	916	-	1,378	2,294
Income surtax	107,758	-	-	107,758
Due from other governments	84,301	62,361	-	146,662
Due from other funds	13,031	-	36,730	49,761
Total assets and other debits	$2,338,318	$449,865	$502,863	$3,291,046
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 170,757	$ 1,112	$ 2,409	$ 174,278
Negative cash	344,542	-	-	344,542
Due to other fund	-	-	29,052	29,052
Deferred revenue				
Succeeding year property tax	1,221,053	-	361,203	1,582,256
Income surtax	107,758	-	-	107,758
Total liabilities	1,844,110	1,112	392,664	2,237,886
Fund balances				
Reserved for				
Teacher mentoring program	3,278	-	-	3,278
Professional development program	4,177	-	-	4,177
Market factor program	3,610	-	-	3,610
Unreserved, governmental funds	483,143	448,753	(28,209)	903,687
Unreserved, special revenue funds	-	-	138,408	138,408
Total fund balances	494,208	448,753	110,199	1,053,160
Total liabilities and fund balances	$2,338,318	$449,865	$502,863	$3,291,046

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2008

Exhibit D

Total fund balances of governmental funds	$1,053,160
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.	1,130,399
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.	(1,296)
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.	(600,406)
Net assets of governmental activities	$1,689,615

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

Revenues	General	Capital Projects	Nonmajor Governmental Funds	Total
Local sources				
Local tax	$1,209,171	$462,529	$ 351,676	$2,023,376
Tuition	397,711	-	-	397,711
Other	54,678	5,482	160,874	221,034
State sources	2,380,698	-	-	2,380,698
Federal sources	105,700	-	-	105,700
Total revenues	4,147,958	468,011	512,550	5,128,519
Expenditures				
Current				
Instruction				
Regular	2,055,374	-	23,867	2,079,241
Special	379,056	-	-	379,056
Other	302,803	-	136,839	439,642
	2,737,233	-	160,706	2,897,939
Support services				
Student	84,957	-	-	84,957
Instructional staff	166,948	-	-	166,948
Administration	470,524	105	34,158	504,787
Operation and maintenance of plant	351,713	-	52,724	404,437
Transportation	140,393	-	76,801	217,194
	1,214,535	105	163,683	1,378,323
Other expenditures				
Facilities acquisition	-	19,153	26,668	45,821
Long-term debt				
Principal	-	-	180,000	180,000
Interest and fiscal charges	-	-	20,345	20,345
AEA flowthrough	164,079	-	-	164,079
	164,079	19,153	227,013	410,245
Total expenditures	4,115,847	19,258	551,402	4,686,507

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Excess (deficiency) of revenues over (under) expenditures	$ 32,111	$448,753	$ (38,852)	$ 442,012
Other financing sources (uses)				
Sale of equipment and materials	2,946	-	-	2,946
Interfund operating transfers in	-	-	65,848	65,848
Interfund operating transfers (out)	-	-	(65,848)	(65,848)
Total other financing sources	2,946	-	-	2,946
Net change in fund balances	35,057	448,753	(38,852)	444,958
Fund balance, beginning of year	459,151	-	149,051	608,202
Fund balance, end of year	$ 494,208	$448,753	$ 110,199	$1,053,160

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, 2008

Exhibit F

Net change in fund balances - total governmental funds		$444,958
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	$152,535	
Depreciation expense	(90,152)	62,383
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.		180,000
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		22,019
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.		220
Change in net assets of governmental activities		$709,580

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2008

Exhibit G

	Nonmajor Enterprise
Assets	
Cash and cash equivalents	$ 10,348
Accounts receivable	480
Due from other governments	39
Inventories	583
Capital assets, net of accumulated depreciation	14,907
Total assets	26,357
Liabilities	
Accounts payable	2,476
Salaries and benefits payable	8,873
Due to other fund	20,709
Deferred revenue	692
Total liabilities	32,750
Net Assets	
Invested in capital assets	14,907
Unrestricted	(21,300)
Total net assets	$ (6,393)

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, 2008

Exhibit H

	Nonmajor Enterprise
Operating revenue	
Local sources	
Charges for service	$138,797
Operating expenses	
Support services	
Operation and maintenance of plant	1,348
Non-instructional programs	
Food service operations	183,525
Preschool operations	24,371
	207,896
Total operating expenses	209,244
Operating loss	(70,447)
Non-operating revenues	
Interest income	46
State sources	1,879
Federal sources	52,612
Total non-operating revenues	54,537
Net loss	(15,910)
Net assets, beginning of year	9,517
Net assets, end of year	$ (6,393)

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

Exhibit I

	Nonmajor Enterprise
Cash flows from operating activities	
Cash received from sale of services	$ 136,826
Cash payments to employees for services	(74,712)
Cash payments to suppliers for goods and services	(102,988)
Net cash used in operating activities	(40,874)
Cash flows from non-capital financing activities	
State grants received	1,879
Federal grants received	42,081
Net cash provided by non-capital financing activities	43,960
Cash flows from capital and related financing activities	-
Cash flows from investing activities	
Interest on investments	46
Net increase in cash and cash equivalents	3,132
Cash and cash equivalents, beginning of year	7,216
Cash and cash equivalents, end of year	$ 10,348
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (70,447)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	3,601
Commodities used	10,492
(Increase) in accounts receivable	(480)
Decrease in inventory	1,215
Increase in due to other fund	20,709
(Decrease) in accounts payable	(5,053)
(Decrease) in deferred revenue	(1,491)
Increase in accrued salaries and benefits	580
Net cash used in operating activities	$ (40,874)

Non-cash investing, capital and financing activities

During the year ended June 30, 2008, the District received $10,492 of federal commodities.

See notes to financial statements.

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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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, respectively 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 termination 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 apply 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 financial statements:

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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	$2,500

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 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, 2008. 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 $16,010 of 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, 2008 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.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	Amortized Cost
Diversified Portfolio	$48

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

	Due from Other Funds	Due to Other Funds
General fund	$ 13,031	$ -
Non-major governmental funds	29,052	29,052
Non-major special revenue funds	7,678	-
Non-major enterprise funds	-	20,709
Totals	$ 49,761	$ 49,761

The Debt Service Fund and Preschool Fund had outstanding warrants issued in excess of the funds' portions of shared bank accounts. Therefore, the negative cash balances are reported as interfund receivables/payables. The School Nutrition Fund owed General Fund for salaries and benefits paid by General Fund and not reimbursed by School Nutrition Fund at June 30, 2008. These interfund receivables/payables are expected to be repaid during the year ending June 30, 2009.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Fund	Transfers In	Transfers Out
Non-major governmental funds	$ 65,848	$ 65,848

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, 2008 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:				
Buildings and improvements	2,946,649	16,794	-	2,963,443
Site improvements	11,159	-	-	11,159
Furniture and equipment	1,113,784	135,741	-	1,249,525
Total capital assets being depreciated	4,071,592	152,535	-	4,224,127
Less accumulated depreciation for:				
Buildings and improvements	2,276,770	26,886	-	2,303,656
Site improvements	599	223	-	822
Furniture and equipment	941,230	63,043	-	1,004,273
Total accumulated depreciation	3,218,599	90,152	-	3,308,751
Total capital assets being depreciated, net	852,993	62,383	-	915,376
Governmental activities capital assets, net	$ 1,068,016	$ 62,383	$ -	$ 1,130,399
Business type activities				
Furniture and equipment	$ 46,809	$ -	$ -	$ 46,809
Less accumulated depreciation	28,300	3,601	-	31,901
Business type activities capital assets, net	$ 18,509	$ (3,601)	$ -	$ 14,908

Depreciation expense was charged to the following functions:

Governmental activities	
Instruction	
Regular	$ 14,730
Other	4,385
Support services	
Instructional staff	1,035
Administration	773
Operation and maintenance of plant	4,974
Transportation	34,612
Unallocated depreciation	29,643
Total governmental activities depreciation expense	$ 90,152
Business type activities	
Food services	$ 3,601

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	$ 380,000	$ -	$(125,000)	$ 255,000	$ 125,000
Capital loan notes	350,000	-	(55,000)	295,000	55,000
Early retirement	72,425	-	(22,019)	50,406	23,944
Totals	$ 802,425	$ -	$(202,019)	$ 600,406	$ 203,944

Interest costs incurred and charged to expense on all long-term debt was $20,125 for the year ended June 30, 2008. During the year ended June 30, 2008, the District made principal payments on total long-term debt of $202,019.

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, 2008 general obligation refunding bonded indebtedness is as follows:

Year Ending June 30,	Bond issue of April 1, 2004			
	Interest Rates	Principal	Interest	Total
2009	2.380%	$ 125,000	$ 6,460	$ 131,460
2010	2.680%	130,000	3,484	133,484
Totals		$ 255,000	$ 9,944	$ 264,944

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
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%	65,000	2,210	67,210
Totals		$ 295,000	$ 29,105	$ 324,105

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, 2008, the District had obligations to three participants with a total liability of $50,406. Actual early retirement expenditures for the year ended June 30, 2008 totaled $22,019.

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 were required to contribute 3.90% of their annual covered salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual covered salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were $133,688, $121,968 and $119,963 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 $164,079 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 $28,209 and a net assets deficit in the Preschool Fund of $10,791 at June 30, 2008. Total enterprise funds had a net assets deficit of $6,393 at June 30, 2008.

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, 2008, 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. Special Investigation

Springville Community School District has requested the office of the Auditor of State to perform a special investigation of the District as a result of a concern. The Auditor of State's special investigation report is not available as of the date of this audit report. However, when the special investigation report is complete, copies will be available at the District's business office, the County Attorney's Office and the Attorney General's Office. It does not appear that the investigation will result in a material adjustment to the financial statements.

Required Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Funds
Required Supplementary Information
For the Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues						
Local sources	$2,642,121	$138,843	$2,780,964	$2,676,391	$2,676,391	$ 104,573
Intermediate sources	-	-	-	200	200	(200)
State sources	2,380,698	1,879	2,382,577	2,547,142	2,547,142	(164,565)
Federal sources	105,700	52,612	158,312	162,000	162,000	(3,688)
Total revenues	5,128,519	193,334	5,321,853	5,385,733	5,385,733	(63,880)
Expenditures/Expenses						
Instruction	2,897,939	-	2,897,939	3,283,064	3,283,064	385,125
Support services	1,378,323	1,348	1,379,671	1,948,102	1,948,102	568,431
Non-instructional programs	-	207,896	207,896	232,643	232,643	24,747
Other expenditures	410,245	-	410,245	869,850	869,850	459,605
Total expenditures/expenses	4,686,507	209,244	4,895,751	6,333,659	6,333,659	1,437,908
Excess (deficiency) of revenues over (under) expenditures/expenses	442,012	(15,910)	426,102	(947,926)	(947,926)	1,374,028
Net other financing sources	2,946	-	2,946	18,000	18,000	(15,054)
Net change in fund balance	444,958	(15,910)	429,048	(929,926)	(929,926)	1,358,974
Balance, beginning of year	608,202	9,517	617,719	458,107	458,107	159,612
Balance, end of year	$1,053,160	$ (6,393)	$1,046,767	$ (471,819)	$ (471,819)	$ 1,518,586

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2008

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. The District did not amend its budget during the year ended June 30, 2008.

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

Schedule 1

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	$ 29,729	$65,345	$ 6,270	$ -	$101,344
Receivables					
Property tax					
Delinquent	470	-	895	843	2,208
Succeeding year	80,000	-	149,343	131,860	361,203
Accounts receivable	-	1,378	-	-	1,378
Due from other funds	29,052	7,678	-	-	36,730
Total assets	$139,251	$74,401	$156,508	$132,703	$502,863
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ 2,409	$ -	$ -	$ 2,409
Due to other funds	-	-	-	29,052	29,052
Deferred revenue					
Succeeding year property tax	80,000	-	149,343	131,860	361,203
Total liabilities	80,000	2,409	149,343	160,912	392,664
Fund balances					
Unreserved fund balances	59,251	71,992	7,165	(28,209)	110,199
Total liabilities and fund balances	$139,251	$74,401	$156,508	$132,703	$502,863

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2008

	Special Revenue				
Revenues	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Local sources					
Local taxes	$ 74,981	$ -	$142,233	$134,462	$351,676
Other	8,520	151,085	647	622	160,874
Total revenues	83,501	151,085	142,880	135,084	512,550
Expenditures					
Current					
Instruction					
Regular	12,605	-	11,262	-	23,867
Other	-	136,839	-	-	136,839
Total instruction	12,605	136,839	11,262	-	160,706
Support services					
Administration	34,158	-	-	-	34,158
Operation and maintenance of plant	27,633	-	25,091	-	52,724
Transportation	6,807	-	69,994	-	76,801
Total support services	68,598	-	95,085	-	163,683
Other expenditures					
Facilities acquisition	-	-	26,668	-	26,668
Long-term debt					
Principal	-	-	-	180,000	180,000
Interest and fiscal charges	-	-	-	20,345	20,345
Total other expenditures	-	-	26,668	200,345	227,013
Total expenditures	81,203	136,839	133,015	200,345	551,402
Excess (deficiency) of revenues over (under) expenditures	2,298	14,246	9,865	(65,261)	(38,852)
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	65,848	65,848
Interfund operating transfers (out)	-	-	(65,848)	-	(65,848)
Total other financing sources (uses)	-	-	(65,848)	65,848	-
Net change in fund balances	2,298	14,246	(55,983)	587	(38,852)
Fund balances, beginning of year	56,953	57,746	63,148	(28,796)	149,051
Fund balances, end of year	$ 59,251	$71,992	$ 7,165	$ (28,209)	$110,199

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008

Schedule 3

	School Nutrition	Preschool	Total
Assets			
Cash and cash equivalents	$10,348	$ -	$ 10,348
Accounts receivable	480	-	480
Due from other governments	39	-	39
Inventories	583	-	583
Capital assets, net of accumulated depreciation	14,907	-	14,907
Total assets	26,357	-	26,357
Liabilities			
Accounts payable	2,202	274	2,476
Salaries and benefits payable	6,034	2,839	8,873
Due to other fund	13,031	7,678	20,709
Deferred revenue	692	-	692
Total liabilities	21,959	10,791	32,750
Net Assets			
Invested in capital assets	14,907	-	14,907
Unrestricted	(10,509)	(10,791)	(21,300)
Total net assets	$ 4,398	$(10,791)	$ (6,393)

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT Schedule 4

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

Nonmajor Enterprise Funds

For the Year Ended June 30, 2008

	School Nutrition	Preschool	Total
Operating revenue			
Local sources			
Charges for service	$ 122,764	$ 16,033	$ 138,797
Operating expenses			
Support Services			
Operation and maintenance of plant			
Supplies	1,348	-	1,348
Non-instructional programs			
Salaries	58,403	17,781	76,184
Benefits	13,629	6,188	19,817
Purchased services	1,601	-	1,601
Supplies	106,291	402	106,693
Depreciation	3,601	-	3,601
	183,525	24,371	207,896
Total operating expenses	184,873	24,371	209,244
Operating loss	(62,109)	(8,338)	(70,447)
Non-operating revenue			
Interest income	46	-	46
State sources	1,879	-	1,879
Federal sources	52,612	-	52,612
Total non-operating revenue	54,537	-	54,537
Net loss	(7,572)	(8,338)	(15,910)
Net assets, beginning of year	11,970	(2,453)	9,517
Net assets, end of year	$ 4,398	$(10,791)	$ (6,393)

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT Schedule 5
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

	School Nutrition	Preschool	Total
Cash flows from operating activities			
Cash received from sale of services	$120,793	$16,033	$136,826
Cash payments to employees for services	(58,796)	(15,916)	(74,712)
Cash payments to suppliers for goods and services	(102,628)	(360)	(102,988)
Net cash used in operating activities	(40,631)	(243)	(40,874)
Cash flows from non-capital financing activities			
State grants received	1,879	-	1,879
Federal grants received	42,081	-	42,081
Net cash provided by non-capital financing activities	43,960	-	43,960
Cash flows from capital and related financing activities	-	-	-
Cash flows from investing activities			
Interest on investments	46	-	46
Net increase (decrease) in cash and cash equivalents	3,375	(243)	3,132
Cash and cash equivalents, beginning of year	6,973	243	7,216
Cash and cash equivalents, end of year	$ 10,348	$ -	$ 10,348
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	$ (62,109)	$ (8,338)	$ (70,447)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	3,601	-	3,601
Commodities used	10,492	-	10,492
(Increase) in accounts receivable	(480)	-	(480)
Decrease in inventory	1,215	-	1,215
Increase in due to other fund	13,031	7,678	20,709
Increase (decrease) in accounts payable	(5,095)	42	(5,053)
(Decrease) in deferred revenue	(1,491)	-	(1,491)
Increase in accrued salaries and benefits	205	375	580
Net cash used in operating activities	$ (40,631)	$ (243)	$ (40,874)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received $10,492 of federal commodities.

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, 2008

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Cross country	$ 194	$ -	$ -	$ 194
Football	3,642	10,935	10,153	4,424
Boys golf	105	279	300	84
Art club	525	525	-	1,050
HS instrumental	167	5,929	3,934	2,162
School cents	2,750	2,325	-	5,075
Fine arts	548	1,500	1,915	133
Interest	3,924	1,156	-	5,080
Central office	373	-	55	318
Book fair	2,342	6,626	7,544	1,424
Drama	676	791	761	706
Art club	781	627	244	1,164
Pictures	1,843	1,058	2,239	662
Library fines	635	672	838	469
Garden project	393	-	-	393
Yearbook	5,315	3,500	3,239	5,576
National Honor Society	90	108	86	112
Student senate - MS	238	147	-	385
Student senate - HS	1,124	1,506	1,230	1,400
Class of 2007	686	-	686	-
Class of 2008	1,274	412	745	941
Class of 2009	2,407	9,132	8,888	2,651
Class of 2010	2,609	172	130	2,651
Class of 2011	1,640	295	142	1,793
Class of 2012	1,520	728	1,682	566
Class of 2013	699	1,070	641	1,128
Class of 2014	-	718	495	223
Boys basketball	848	5,645	5,245	1,248
Boys baseball	718	942	1,028	632
Boys track	414	2,464	1,996	882
Wrestling	639	-	79	560
Lego League	-	2,321	1,048	1,273

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, 2008

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Girls basketball	$ 977	$ 11,571	$ 11,123	$ 1,425
Girls volleyball	1,125	11,183	10,895	1,413
Girls softball	11	3,086	2,249	848
Girls track	1,356	-	273	1,083
Gate money	5,003	52,052	44,197	12,858
Activities director	1,016	-	702	314
Weight room	146	-	-	146
Cheerleading	2,415	2,347	2,885	1,877
Sportsman scholarship	-	250	-	250
Vocal resale	1,857	2,630	1,417	3,070
Supply store	1,123	-	-	1,123
Pictures	1,678	3,411	4,305	784
Jump Rope for Heart	111	501	501	111
Middle school science	-	50	-	50
Yearbook	-	1,549	1,454	95
Student senate - elementary	979	156	913	222
Elementary instrumental resale	830	716	582	964
Totals	$ 57,746	$ 151,085	$ 136,839	$ 71,992

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT Schedule 7

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues				
Local sources				
Local tax	$2,023,376	$1,433,756	$1,294,457	$1,235,683
Tuition	397,711	363,863	329,805	315,579
Other	221,034	192,006	151,998	124,320
State sources	2,380,698	2,318,082	2,246,880	2,083,190
Federal sources	105,700	143,883	85,608	64,116
Total revenues	$5,128,519	$4,451,590	$4,108,748	$3,822,888
Expenditures				
Current				
Instruction				
Regular	$2,079,241	$1,975,600	$1,690,720	$1,723,222
Special	379,056	391,669	388,496	426,064
Other	439,642	353,886	350,761	368,467
Support services				
Student	84,957	62,375	55,388	15,750
Instructional staff	166,948	150,601	156,447	165,882
Administration	504,787	472,893	428,280	437,637
Operation and maintenance of plant	404,437	367,717	355,078	343,560
Transportation	217,194	148,735	113,893	92,258
Other expenditures				
Facilities acquisition	45,821	20,821	84,260	43,784
Long-term debt				
Principal	180,000	170,000	175,000	165,000
Interest and other charges	20,345	23,580	26,504	31,081
AEA flowthrough	164,079	154,878	146,014	133,842
Total expenditures	$4,686,507	$4,292,755	$3,970,841	$3,946,547

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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 28, 2009. 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 discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including 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, B and C 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, 2008 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 on 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, including federal awarding agencies and pass-through entities. 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

Kay L. Chapman, CPA PC
March 28, 2009

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

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 Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

   Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

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 certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. $302,248 of regular property taxes were miscoded as mobile home taxes and the capital assets reported in Fund 08 were not correct. The miscoding of the taxes did not affect fund balance and the Fund 08 should be corrected on CAR for the year ending June 30, 2009.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide some oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2008 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.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

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.

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

10. Financial Condition - The District had an unreserved, undesignated deficit in the Debt Service Fund of $28,209 and the Preschool Fund had a net assets deficit of $10,791 at June 30, 2008. Total enterprise funds had a net assets deficit of $6,393 at June 30, 2008.

    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, 2008

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant