

SEYMOUR COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2005

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SEYMOUR COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Lisa Warren	President	2005
Phillip Noble	Board Member	2004
Jerry Keller	Board Member	2004
Josh Wells	Board Member	2005
Tracy McMurray	Board Member	2006
Board of Education		
(After September 2004 Election)		
Lisa Warren	President	2005
Josh Wells	Board Member	2005
Tracy McMurray	Board Member	2006
Brent Brown	Board Member	2007
Jerry Keller	Board Member	2007
School Officials		
Dale Weeks	Superintendent	2005
Mollie Banks	Business Manager	2005

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Independent Auditor's Report

To the Board of Education of
Seymour 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 Seymour Community School District, Seymour, Iowa, as of and for the year ended June 30, 2005, 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 opinion.

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 Seymour Community School District at June 30, 2005, 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 August 16, 2005, on my consideration of Seymour Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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 3 through 9 and 35 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Seymour Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, 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 and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 16, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Seymour 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, 2005. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,631,032 in fiscal 2004 to \$2,552,976 in fiscal 2005, while General Fund expenditures increased from \$2,710,059 in fiscal 2004 to \$2,809,817 in fiscal 2005. The District's General Fund balance decreased from \$387,139 in fiscal 2004 to \$131,023 in fiscal 2005, a 66% decrease.
- The decrease in General Fund revenues was attributable to a decrease in property tax and Medicaid reimbursements in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- An increase in interest rates during the past year resulted in interest earnings in the General Fund alone increasing from \$3,551 in fiscal 2004 to \$8,686 in fiscal 2005.

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 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 Seymour 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 Seymour Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Seymour Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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 non-major Special Revenue Funds.

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 is 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 three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-1
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	2004-2005
Current and other assets	\$1,850	\$1,901	\$ 26	\$ 24	\$1,876	\$1,925	-2.5%
Capital assets	1,251	1,225	11	3	1,262	1,228	-2.7%
Total assets	3,101	3,126	37	27	3,138	3,153	- .5%
Long-term liabilities	455	520	-	-	455	520	-12.5%
Other liabilities	1,277	1,218	6	6	1,283	1,224	4.8%
Total liabilities	1,732	1,738	6	6	1,738	1,744	-.3%
Net assets:							
Invested in capital assets, net of related debt	795	703	11	3	806	706	1.41%
Restricted	248	308	-	-	248	308	-19.5%
Unrestricted	326	377	20	18	346	395	-12.4%
Total net assets	1,369	1,388	31	21	1,400	1,409	-.6%

The District's combined net assets decreased by nearly 1%, or approximately \$9,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$60,000, or 19% over the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund.

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 - decreased approximately \$49,000 or 12%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-2 shows the change in net assets for the year ended June 30, 2005.

**Figure A-2
Changes in Net Assets
(Expressed in Thousands)**

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$ 135	\$ 62	\$ 197
Operating grants, contributions and restricted interest	384	77	461
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	916	-	916
Income surtax	27	-	27
Local option sales and service tax	168	-	168
Unrestricted intermediate grants	10	-	10
Unrestricted state grants	1,328	-	1,328
Unrestricted investment earnings	14	-	14
Other	1	-	1
Total revenues	<u>2,983</u>	<u>139</u>	<u>3,122</u>
Program expenses:			
Governmental activities:			
Instruction	1,913	-	1,913
Support services	963	-	963
Non-instructional programs	1	129	130
Other expenses	125	-	125
Total expenses	<u>3,002</u>	<u>129</u>	<u>3,131</u>
Change in net assets	<u>(19)</u>	<u>10</u>	<u>(9)</u>

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,983,080 and expenses were \$3,001,877. In a difficult budget year, the District was unable to balance the budget by trimming expenses to match available revenues.

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

**Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services	Net Cost of Services
Instruction	\$1,913	\$1,495
Support services	1	1
Non-instruction	963	963
Other expenses	125	25
Totals	<u>3,002</u>	<u>2,484</u>

- The cost financed by users of the District's programs was \$134,972.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$284,052.
- The net cost of governmental activities was financed with \$1,110,940 in property and other taxes and \$1,337,999 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$139,171 and expenses were \$128,749. The District's Business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District maintained meal prices. The District reported a positive balance due primarily to the number of students qualifying for free and reduced price meals.

INDIVIDUAL FUND ANALYSIS

As previously noted, Seymour 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 \$574,345, below last year's ending fund balances of \$684,432.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Reduced property taxes during the year resulted in a decrease in revenues. The decrease in revenues was accentuated by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$387,139 to \$131,023, due in part to declining property valuation resulting in less property taxes, the negotiated salary and benefits settlement and existing expenditure commitments of the District.
- The decline in General Fund balance will be addressed in a variety of methods. The District will realize increased revenues in Fiscal 2006 because of an increase in the Instructional Support levy receipts. The District will also start to receive additional revenues from the Fiscal 2004 income surtax portion of the instructional support levy. The attrition and non-replacement of staff should result in substantial savings to the District. The District will also utilize PPEL funds to reduce General Fund expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$77,485 in fiscal 2004 to \$38,244 in fiscal 2005. The District purchased a school bus from the PPEL fund during the year.
- The Capital Projects Fund balance increased from \$25,255 in fiscal 2004 to \$195,358 in fiscal 2005 due to a full year of collecting the SILO tax.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$20,913 at June 30, 2004 to \$31,344 at June 30, 2005, representing an increase of approximately 50%. During 2004 and 2005, the District revamped its staffing in the school lunch program and this change resulted in a decrease in salaries and benefits.

BUDGETARY HIGHLIGHTS

The District's receipts were \$114,369 more than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving more in SILO tax than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1,262 million, 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-4) This represents a net decrease of 3% from last year. More detailed information about the District's capital assets presented in Note 6 to the financial statements. Depreciation expense for the year was \$67,849.

The original cost of the District's capital assets was \$2.49 million. Governmental funds account for \$2.47 million, with the remainder of \$.02 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 3	\$ 3	\$ -	\$ -	\$ 3	\$ 3	-
Buildings	1,105	1,150	-	-	1,105	1,150	3.9%
Furniture and equipment	143	72	11	3	154	75	105%
Totals	1,251	1,225	11	3	1,262	1,228	-2.8%

Long-Term Debt

At June 30, 2005, the District had \$455,000 in general obligation debt outstanding. This represents a decrease of approximately 13% from last year.

Figure A-5
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
General obligation bonds	\$455,000	\$520,000	-13%

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:

- Wayne County has advised the District that due to revised valuations the District's total taxable valuation will remain approximately the same for property tax collected in fiscal 2006.
- The District has experienced declining enrollment for the past several years and expects declined enrollment for fiscal year 2006.

- The transportation vehicles continue to age and the District replaced one bus in fiscal year 2005 and purchased a lift-assist bus for special needs students. The District used a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.
- The District continues to operate on a year-to-year collective agreement with the Seymour Education Teacher's Association. Recent negotiated settlements were 4% for fiscal 2006 and 2007.

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 Mollie Banks, District Secretary/Treasurer and Business Manager, Seymour Community School District, Seymour, Iowa 52590.

Basic Financial Statements

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 695,186	24,347	719,533
Receivables:			
Property tax:			
Delinquent	19,377	-	19,377
Succeeding year	968,772	-	968,772
Income tax succeeding year	54,721	-	54,721
Accounts	1,300	-	1,300
Accrued interest	-	-	-
Due from other governments	109,977	-	109,977
Inventories	-	1,887	1,887
Capital assets, net of accumulated depreciation (note 3)	1,251,395	11,247	1,262,642
Total assets	3,100,728	37,481	3,138,209
Liabilities			
Excess of warrants over bank balance	-	-	-
Accounts payable	22,927	-	22,927
Salaries and benefits payable	228,568	6,137	234,705
Accrued interest payable	1,831	-	1,831
Deferred revenue:			
Succeeding year property tax	968,772	-	968,772
Succeeding year income surtax	54,721	-	54,721
Long-term liabilities (note 4):			
Portion due within one year:			
Bonds payable	65,000	-	65,000
Portion due after one year:			
Bonds payable	390,000	-	390,000
Total liabilities	1,731,819	6,137	1,737,956
Net assets			
Invested in capital assets, net of related debt	794,564	11,247	805,811
Restricted for:			
Management levy	81,848		81,848
Debt service	13,987		13,987
Physical plant and equipment levy	38,244	-	38,244
Other special revenue purposes	113,885	-	113,885
Unrestricted	326,381	20,097	346,478
Total net assets	\$ 1,368,909	31,344	1,400,253

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,128,622	23,705	98,147	-
Special instruction	447,448	8,483	185,905	-
Other instruction	337,582	102,784	-	-
	<u>1,913,652</u>	<u>134,972</u>	<u>284,052</u>	<u>-</u>
Support Service:				
Student services	89,263	-	-	-
Instructional staff services	115,260	-	-	-
Administration services	316,867	-	-	-
Operating and maintenance of plant services	256,058	-	-	-
Transportation services	185,213	-	-	-
	<u>962,661</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs	519	-	-	-
Other expenditures:				
Facilities acquisition	-	-	-	-
Long-term debt interest	25,051	-	-	-
AEA flowthrough	99,994	-	99,994	-
	<u>125,045</u>	<u>-</u>	<u>99,994</u>	<u>-</u>
Total governmental activities	3,001,877	134,972	384,046	-
Business type activities:				
Non-instructional programs:				
Nutrition services	128,749	62,473	76,698	-
	<u>128,749</u>	<u>62,473</u>	<u>76,698</u>	<u>-</u>
Total primary government	<u>\$ 3,130,626</u>	<u>197,445</u>	<u>460,744</u>	<u>-</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business type Activities	Total
(1,006,770)	-	(1,006,770)
(253,060)	-	(253,060)
(234,798)	-	(234,798)
(1,494,628)	-	(1,494,628)
(89,263)	-	(89,263)
(115,260)	-	(115,260)
(316,867)	-	(316,867)
(256,058)	-	(256,058)
(185,213)	-	(185,213)
(962,661)	-	(962,661)
(519)	-	(519)
-	-	-
(25,051)	-	(25,051)
-	-	-
(25,051)	-	(25,051)
(2,482,859)	-	(2,482,859)
-	10,422	10,422
-	10,422	10,422
(2,482,859)	10,422	(2,472,437)

Continued from previous page

General Revenues:

Totals from pages 11 and 12	\$	3,130,626	197,445	460,744	-
Property tax levied for:					
General purposes					
Debt service					
Capital outlay					
Income surtax					
Local option sales and services tax					
Unrestricted intermediate grants					
Unrestricted state grants					
Unrestricted investment earnings					
Other					
Gain on sale of assets					
Total general revenues					
Change in net assets					
Net assets beginning of year					

(2,482,859)	10,422	(2,472,437)
826,030	-	826,030
89,777	-	89,777
-	-	-
27,187		
167,946	-	167,946
9,730		9,730
1,328,269	-	1,328,269
14,398	9	14,407
-	-	-
725	-	725
<hr/>		
2,464,062	9	2,464,071
<hr/>		
(18,797)	10,431	(8,366)
<hr/>		
1,387,706	20,913	1,408,619
<hr/>		

SEYMOUR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Debt Service	Capital Projects
Assets and Other Debits			
Cash and pooled investments	\$ 330,271	12,088	120,280
Receivables:			
Property tax:			
Current year delinquent	15,724	1,899	-
Succeeding year	798,209	87,370	-
Income tax succeeding year	54,721	-	-
Accounts	1,300	-	-
Due from other governments	34,899	-	75,078
Total assets and other debits	\$ 1,235,124	101,357	195,358
Liabilities and Fund Balances			
Liabilities:			
Excess of outstanding warrants over bank balance	\$ -	-	-
Accounts payable	22,603	-	-
Salaries and benefits payable	228,568	-	-
Deferred revenue:			
Succeeding year property tax	798,209	87,370	-
Succeeding year income surtax	54,721	-	-
Total liabilities	1,104,101	87,370	-
Fund balances:			
Reserved for:			
Debt service	-	13,987	-
Unreserved:			
Undesignated	131,023	-	195,358
Total fund balances	131,023	13,987	195,358
Total liabilities and fund balances	\$ 1,235,124	101,357	195,358

See notes to financial statements.

Nonmajor Special Revenue	Total
232,547	695,186
1,754	19,377
83,193	968,772
-	54,721
-	1,300
-	109,977
<u>317,494</u>	<u>1,849,333</u>

-	-
324	22,927
-	228,568
83,193	968,772
-	54,721
<u>83,517</u>	<u>1,274,988</u>

-	13,987
<u>233,977</u>	<u>560,358</u>
<u>233,977</u>	<u>574,345</u>
<u>317,494</u>	<u>1,849,333</u>

SEYMOUR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds (pg.16) \$ 574,345

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. 1,251,395

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. (1,831)

Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (455,000)

Net assets of governmental activities (pg. 10) \$ 1,368,909

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Debt Service	Capital Projects
Revenues:			
Local sources:			
Local tax	\$ 770,235	89,777	167,946
Tuition	32,188	-	-
Other	28,594	679	1,157
Intermediate	9,730		
State sources	1,428,177	86	-
Federal sources	284,052	-	-
Total revenues	<u>2,552,976</u>	<u>90,542</u>	<u>169,103</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,128,622	-	-
Special instruction	491,148	-	-
Other instruction	252,535	-	-
	<u>1,872,305</u>	<u>-</u>	<u>-</u>
Support services:			
Student services	89,263	-	-
Instructional staff services	115,260	-	-
Administration services	272,120	-	-
Operation and maintenance of plant services	196,372	-	-
Transportation services	163,984	-	-
	<u>836,999</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>519</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	-	-	-
Long-term debt:			
Principal	-	65,000	-
Interest and fiscal charges	-	25,295	-
AEA flowthrough	99,994	-	-
	<u>99,994</u>	<u>90,295</u>	<u>-</u>
Total expenditures	<u>2,809,817</u>	<u>90,295</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(256,841)	247	169,103
Other financing sources:			
Sale of equipment	725	-	-
Total other financing sources	<u>725</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(256,116)	247	169,103
Fund balances beginning of year	<u>387,139</u>	<u>13,740</u>	<u>26,255</u>
Fund balances end of year	<u>\$ 131,023</u>	<u>13,987</u>	<u>195,358</u>

See notes to financial statements.

Nonmajor Special Revenue	Total
82,982	1,110,940
-	32,188
86,752	117,182
	9,730
-	1,428,263
-	284,052
<u>169,734</u>	<u>2,982,355</u>

-	1,128,622
-	491,148
85,047	337,582
<u>85,047</u>	<u>1,957,352</u>

-	89,263
-	115,260
44,747	316,867
14,761	211,133
48,500	212,484
<u>108,008</u>	<u>945,007</u>

-	519
---	-----

-	-
-	65,000
-	25,295
-	99,994
-	190,289
<u>193,055</u>	<u>3,093,167</u>

(23,321) (110,812)

-	725
-	725

(23,321) (110,087)

<u>257,298</u>	<u>684,432</u>
<u>233,977</u>	<u>574,345</u>

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	School Nutrition
Assets	
Cash and cash equivalents	\$ 24,347
Inventories	1,887
Capital assets, net of accumulated depreciation	11,247
Total assets	37,481
Liabilities	
Salaries and benefits payable	6,137
Total liabilities	6,137
Net Assets	
Invested in capital assets, net of related debt	11,247
Unrestricted	20,097
Total net assets	\$ 31,344

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year ended June 30, 2005

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 62,473
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	46,358
Benefits	6,188
Purchased services	5,344
Supplies	69,190
Depreciation	1,669
Total operating expenses	128,749
Operating loss	(66,276)
Non-operating revenues:	
State sources	1,842
Federal sources	74,856
Local sources	9
Total non-operating revenues	76,707
Changes in net assets	10,431
Net assets beginning of year	20,913
Net assets end of year	\$ 31,344

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of meals	\$ 62,473
Cash payments to employees for services	(52,277)
Cash payments to suppliers for goods or services	(64,380)
Net cash used by operating activities	(54,184)
Cash flows from non-capital financing activities:	
State grants received	1,842
Federal grants received	63,644
Net cash provided by non-capital financing activities	65,486
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(10,170)
Cash flows from investing activities:	
Interest on investments	9
Net increase in cash and cash equivalents	1,141
Cash and cash equivalents at beginning of year	23,206
Cash and cash equivalents at end of year	\$ 24,347
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (66,276)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Commodities used	11,212
Depreciation	1,669
Increase in inventory	(1,058)
Increase in payables	269
Net cash used by operating activities	\$ (54,184)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 24,347
Cash and cash equivalents at year end	\$ 24,347

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received federal commodities valued at \$11,212.

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year ended June 30, 2005

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$	-
Interest income		2,658
Total additions		2,658
Deductions:		
Support services:		
Scholarships awarded		4,000
Change in net assets		(1,342)
Net assets beginning of year		125,676
Net assets end of year	\$	124,334

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

Seymour Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Seymour and Promise City, Iowa, and the predominate agricultural territory in Wayne and Appanoose Counties. 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, Seymour 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. Seymour Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 Wayne 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 nonfiduciary 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 nonfiduciary 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 improvements of those assets.

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are 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, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts 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 expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 compensated absences 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 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 fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current 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. 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 year 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvement other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 years
Improvements other than buildings	20-40 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.

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 unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the support services functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District’s deposits in banks at June 30, 2005 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 investments trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$790,820

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

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,150	-	-	3,150
Capital assets being depreciated:				
Buildings	2,013,390	-	-	2,013,390
Improvements other than buildings	-	-	-	-
Furniture and equipment	385,685	92,200	21,521	456,364
Total capital assets being depreciated	<u>2,399,075</u>	<u>92,200</u>	<u>21,521</u>	<u>2,469,754</u>
Less accumulated depreciation for:				
Buildings	863,415	44,925	-	908,340
Improvements other than buildings	-	-	-	-
Furniture and equipment	313,461	21,229	21,521	313,169
Total accumulated depreciation	<u>1,176,876</u>	<u>66,154</u>	<u>21,521</u>	<u>1,221,509</u>
Total capital assets being depreciated, net	<u>1,222,199</u>	<u>26,046</u>	-	<u>1,248,245</u>
Governmental activities capital assets, net	<u>1,225,349</u>	<u>26,046</u>	-	<u>1,251,395</u>
Business type activities:				
Furniture and equipment	9,859	10,170	-	20,029
Less accumulated depreciation	7,113	1,669	-	8,782
Business type activities capital assets, net	<u>2,746</u>	<u>8,501</u>	-	<u>11,247</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Support services:	
Operation and maintenance of plant	\$ 44,925
Transportation	<u>21,229</u>
Total depreciation expense – governmental activities	<u>66,154</u>
Business type activities:	
Food service operations	<u>1,669</u>

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	<u>\$520,000</u>	-	65,000	<u>455,000</u>	<u>65,000</u>

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	<u>Bond issue of June 1, 1996</u>		
		Principal	Interest	Total
2006	4.60%	\$ 65,000	21,970	86,970
2007	4.70%	70,000	18,980	88,980
2008	4.70%	75,000	15,690	90,690
2009	4.80%	80,000	12,090	92,090
2010	4.90%	80,000	8,170	88,170
2011	5.00%	<u>85,000</u>	<u>4,250</u>	<u>89,250</u>
Total		<u>455,000</u>	<u>81,150</u>	<u>536,150</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (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, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$153,487, \$154,381 and \$152,859, respectively, equal to the required contributions for each year.

(6) Risk Management

Seymour Community School 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.

(7) 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 \$99,994 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SEYMOUR COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN BALANCES - BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 1,260,310	62,482
Intermediate sources	9,730	-
State sources	1,428,263	1,842
Federal sources	284,052	74,856
Total revenues	<u>2,982,355</u>	<u>139,180</u>
Expenditures:		
Instruction	1,957,352	-
Support services	945,007	-
Non-instructional programs	519	128,749
Other expenditures	190,289	-
Total expenditures	<u>3,093,167</u>	<u>128,749</u>
Excess (deficiency) of revenues over (under) expenditures	(110,812)	10,431
Other financing sources	<u>725</u>	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(110,087)	10,431
Balances beginning of year	<u>684,432</u>	<u>20,913</u>
Balances end of year	<u>\$ 574,345</u>	<u>31,344</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amount <u>Original</u>	Variance Favorable (Unfavorable)
1,322,792	1,176,991	145,801
9,730	12,500	(2,770)
1,430,105	1,551,675	(121,570)
358,908	266,000	92,908
<u>3,121,535</u>	<u>3,007,166</u>	<u>114,369</u>
1,957,352	2,335,000	377,648
945,007	936,000	(9,007)
129,268	146,600	17,332
190,289	198,342	8,053
<u>3,221,916</u>	<u>3,615,942</u>	<u>394,026</u>
(100,381)	(608,776)	
<u>725</u>	<u>-</u>	
(99,656)	(608,776)	
<u>705,345</u>	<u>1,055,235</u>	
<u><u>605,689</u></u>	<u><u>446,459</u></u>	

SEYMOUR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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 ended June 30, 2005, disbursements in the support services function exceeded the amounts budgeted.

SEYMOUR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 80,580	114,209	37,758	232,547
Receivables:				
Property tax:				
Current year delinquent	1,268	-	486	1,754
Succeeding year	60,000	-	23,193	83,193
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	141,848	114,209	61,437	317,494
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	324	-	324
Deferred revenue:				
Succeeding year property tax	60,000	-	23,193	83,193
Total liabilities	60,000	324	23,193	83,517
Fund equity:				
Fund balances:				
Unreserved, undesignated fund balance	81,848	113,885	38,244	233,977
Total liabilities and fund equity	\$ 141,848	114,209	61,437	317,494

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy
Revenues:			
Local sources:			
Local tax	\$ 59,980	-	23,002
Other	1,171	84,563	1,018
State sources	-	-	-
Federal sources	-	-	-
Total revenues	<u>61,151</u>	<u>84,563</u>	<u>24,020</u>
Expenditures:			
Current			
Instruction:			
Other instruction	8,833	76,214	-
Support services:			
Administrative support	44,747		-
Plant operation	-		14,761
Student transportation	-	-	48,500
Other expenditures:			
Facilities acquisition	-	-	-
Total expenditures	<u>53,580</u>	<u>76,214</u>	<u>63,261</u>
Excess of revenues over expenditures	7,571	8,349	(39,241)
Fund balance beginning of year	<u>74,277</u>	<u>105,536</u>	<u>77,485</u>
Fund balance end of year	<u>\$ 81,848</u>	<u>113,885</u>	<u>38,244</u>

See accompanying independent auditor's report.

Total
82,982
86,752
-
-
<hr/> 169,734

85,047

44,747
14,761
48,500

-

193,055
(23,321)
<hr/> 257,298
<hr/> 233,977

SEYMOUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year ended June 30, 2005

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ (499)	15,653	14,922	232
FFA	7,811	19,112	18,646	8,277
FCCLA	938	2,829	2,601	1,166
General	70,929	17,237	12,014	76,152
Vocal Music	2,491	357	286	2,562
Student Council	1,179	167	311	1,035
Cheerleaders	2,836	528	622	2,742
S Club	8,272	6,215	6,979	7,508
Post Prom	2,834	1,391	1,300	2,925
Youth Council	333	-	-	333
Speech	607	4,115	3,812	910
Wayne County Coalition	654	1,100	1,196	558
Melissa's	101	-	-	101
Honor Society	3	-	3	-
Lion's Back Stop	919	-	-	919
Class of 2004	27	-	27	-
Class of 2005	2,107	47	2,154	-
Class of 2006	2,512	4,658	5,168	2,002
Class of 2007	999	7,616	4,487	4,128
Class of 2008	483	2,690	1,363	1,810
Class of 2009	-	848	323	525
Totals	<u>\$ 105,536</u>	<u>84,563</u>	<u>76,214</u>	<u>113,885</u>

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 125,676	2,658	4,000	124,334
Total assets	\$ 125,676	2,658	4,000	124,334
Liabilities				
Accounts payable	\$ 125,676	2,658	4,000	124,334
Total liabilities	\$ 125,676	2,658	4,000	124,334

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,110,940	1,035,494	1,019,698	900,039
Tuition	32,188	40,056	46,380	56,459
Other	117,182	103,548	104,691	136,531
Intermediate sources	9,730	21,822	12,326	805
State sources	1,428,263	1,390,765	1,400,576	1,443,211
Federal sources	284,052	313,005	148,073	177,229
Total	<u>\$ 2,982,355</u>	<u>2,904,690</u>	<u>2,731,744</u>	<u>2,714,274</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,128,622	1,151,953	1,040,568	1,188,272
Special instruction	491,148	401,814	345,430	320,376
Other instruction	337,582	334,113	328,218	317,965
Support services:				
Student services	89,263	92,139	85,524	128,833
Instructional staff services	115,260	123,041	88,722	43,616
Administration services	316,867	307,751	257,675	253,919
Operation and maintenance of plant services	211,133	187,098	189,539	151,880
Transportation services	212,484	151,336	215,467	137,595
Central support	519	778	45,355	43,184
Non-instructional programs				
Other expenditures:				
Facilities acquisition		-	-	-
Long-term debt:				
Principal	65,000	60,000	60,000	55,000
Interest and other charges	25,295	27,805	30,415	33,082
AEA flowthrough	99,994	99,668	106,278	107,396
Total	<u>\$ 3,093,167</u>	<u>2,937,496</u>	<u>2,793,191</u>	<u>2,781,118</u>

See notes to financial statements.

STEPHANIE MENDENHALL, CPA
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641/877-6021

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Seymour Community School District:

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Seymour Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and issued my report thereon dated August 16, 2005. 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 Seymour Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error fraud in in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seymour 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 grants, 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 that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

SEYMOUR COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part 1: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in federal awards.

Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005

II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, exceeded the certified budget amount in the support function.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-D-5 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.
- II-E-05 Business Transactions – No business transactions were noted between the District and District officials or employees.
- II-F-05 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 coverage is adequate for current operations.
- II-G-05 Board Minutes – No transactions were noted requiring Board approval which had not been approved by the Board.
- II-H-05 Certified Enrollment – The district incorrectly omitted one student from home schooled dual enrolled count.
Recommendation – District officials should closely review documentation on home schooled students.
Response – We will closely review our documentation on home schooled students.
Conclusion – Response accepted.
- II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-05 Certified Annual Report – The Certified Annual Report will be filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.
- II-K-05 Student Activity Receipts – A grant of \$1,100 was received from Wayne County Coalition to be used to introduce nutritional eating ideas into the curriculum.
Recommendation – The money was not co-curricular in nature and should have been deposited into the General Fund to be used for the operation of the district.
Response – In the future this type of receipt will be deposited into the General Fund.
Conclusion – Response accepted.