

DURANT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2004

DURANT COMMUNITY SCHOOL DISTRICT

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DURANT COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2004

Name	Title	Term Expires
Board of Education		
(Before September 2003 Election)		
Pam Sissel	Board President	2005
Gary Workman	Board Member	2003
Loren Bockwoldt	Board Member	2004
Jane Lichtenstein	Board Member	2004
Sheila Compton	Board Member	2005
(After September 2003 Election)		
Gary Workman	Board President	2006
Loren Bockwoldt	Board Member	2004
Jane Lichtenstein	Board Member	2004
Sheila Compton	Board Member	2005
Pam Sissel	Board Member	2005
School Officials		
Dr. James D. Wagner	Superintendent	2004
Lesla Kephart	District Secretary	2004
Philip Keese	District Treasurer	2004
Lane & Waterman	Attorney	2004

KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100

Muscatine, Iowa 52761

563-264-1385

INDEPENDENT AUDITOR'S REPORT

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

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

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Durant Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Durant Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated October 12, 2004 on my consideration of Durant Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 42 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Durant Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC
October 12, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,601,483 in fiscal 2003 to \$4,499,760 in fiscal 2004, while General Fund expenditures increased from \$4,298,937 in fiscal 2003 to \$4,657,635 in fiscal 2004. The District's General Fund balance decreased from \$1,095,810 in fiscal 2003 to \$937,935 in fiscal 2004, a 9% decrease.
- The State of Iowa imposed a 2.5% reduction in State Foundation Aid mid-year which reduced state revenues by \$58,000 in the General Fund.
- The District experienced a significant increase in health insurance costs mid-year which, coupled with the state aid reduction, negatively impacted the unspent balance.
- General Obligation Bonds were refinanced resulting in a savings of approximately \$90,000 over the lifetime of the bonds.
- The District received additional grant money in the amount of \$27,693 for technology improvements.
- The District expenditures exceeded revenues in the area of Special Education by \$45,486. The District applied for \$27,478 in Special Education Deficit Allowable Growth as there was a carry-over from the prior fiscal year in the amount of \$18,008.

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 Durant 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 Durant 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 Durant Community School District acts solely as an agent or custodian for the benefit of those outside of District 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 nonmajor Governmental Funds.

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

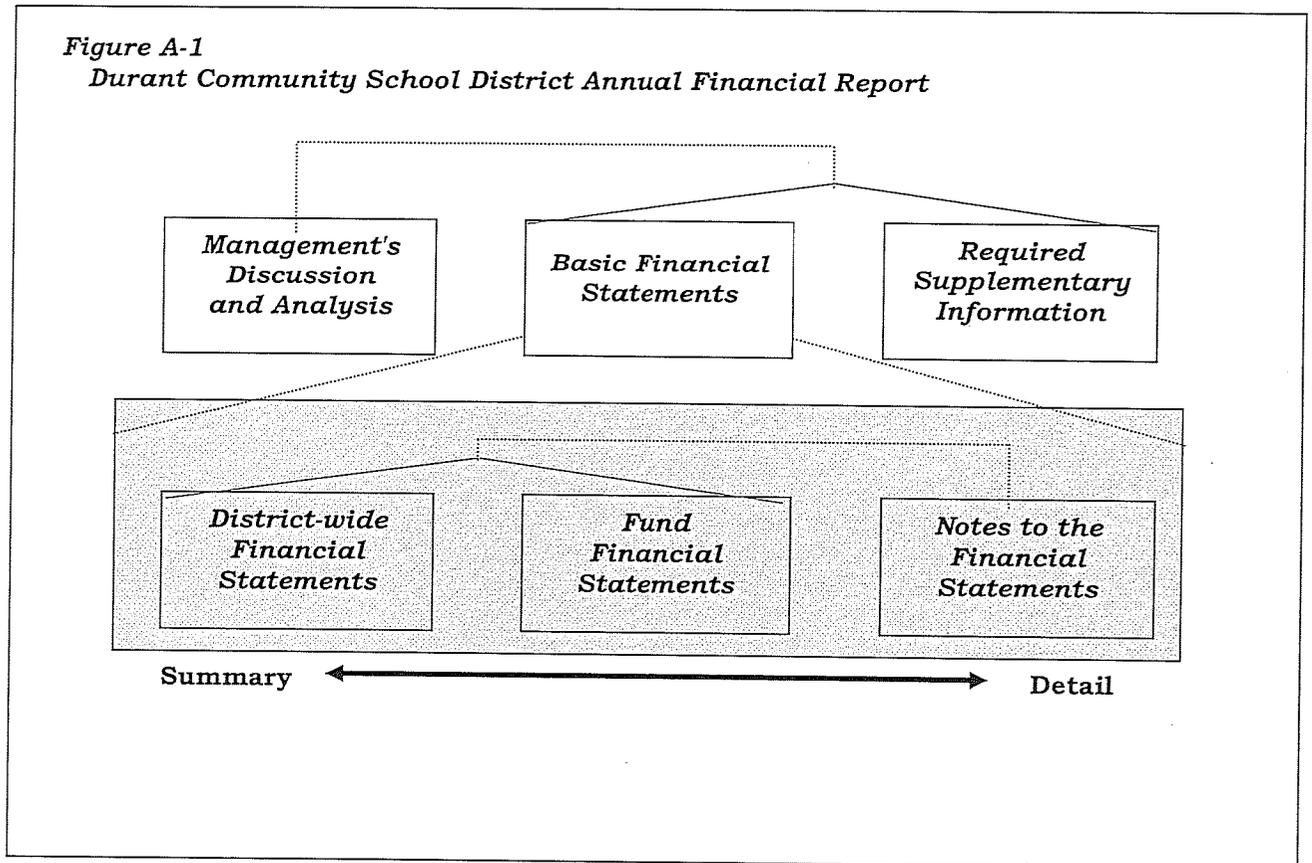


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
Current and other assets	\$ 3,491,105	\$ 3,514,014	\$ 56,476	\$ 41,948	\$ 3,547,581	\$ 3,555,962	-0.24%
Capital assets	<u>4,859,918</u>	<u>4,984,391</u>	<u>12,831</u>	<u>14,763</u>	<u>4,872,749</u>	<u>4,999,154</u>	-2.53%
Total assets	<u>8,351,023</u>	<u>8,498,405</u>	<u>69,307</u>	<u>56,711</u>	<u>8,420,330</u>	<u>8,555,116</u>	-1.58%
Long-term obligations	2,657,821	2,854,822	-	-	2,657,821	2,854,822	0.00%
Other liabilities	<u>1,957,621</u>	<u>1,897,127</u>	-	-	<u>1,957,621</u>	<u>1,897,127</u>	3.19%
Total liabilities	<u>4,615,442</u>	<u>4,751,949</u>	-	-	<u>4,615,442</u>	<u>4,751,949</u>	-2.87%
Net assets							
Invested in capital assets, net of related debt	1,892,954	2,196,084	12,831	14,763	1,905,785	2,210,847	-13.80%
Restricted	584,436	547,757	-	-	584,436	547,757	6.70%
Unrestricted	<u>1,258,191</u>	<u>1,002,615</u>	<u>56,476</u>	<u>41,948</u>	<u>1,314,667</u>	<u>1,044,563</u>	25.86%
Total net assets	<u>\$ 3,735,581</u>	<u>\$ 3,746,456</u>	<u>\$ 69,307</u>	<u>\$ 56,711</u>	<u>\$ 3,804,888</u>	<u>\$ 3,803,167</u>	0.05%

The District's combined net assets increased by approximately .05%, or \$1,721, 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 increased \$36,679, or approximately 7% over the prior year. This was the result of an unamortized premium of \$330,000 on a bond refunding.

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 \$270,104, or approximately 26%. This increase in unrestricted net assets was a result of the District having carryover funds from FY03 to use to meet FY04 obligations.

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

	Figure A-4 Change in Net Assets		
	Governmental Activities	Business-type Activities	Total School District
Revenues			
Program revenues			
Charges for service and sales	\$ 685,149	\$ 196,341	\$ 881,490
Operating grants, contributions and restricted interest	473,371	63,924	537,295
Capital grants, contributions and restricted interest	-	-	-
General revenues			
Property tax	2,174,772	-	2,174,772
Unrestricted state grants	1,888,103	-	1,888,103
Unrestricted investment earnings	15,872	305	16,177
Other	1,780	-	1,780
Total revenues	<u>5,239,047</u>	<u>260,570</u>	<u>5,499,617</u>
Program expenses			
Governmental activities			
Instruction	3,167,208	-	3,167,208
Support services	1,617,119	-	1,617,119
Non-instructional programs	1,750	247,974	249,724
Other expenses	463,845	-	463,845
Total expenses	<u>5,249,922</u>	<u>247,974</u>	<u>5,497,896</u>
Change in net assets	<u>\$ (10,875)</u>	<u>\$ 12,596</u>	<u>\$ 1,721</u>

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,239,047 and expenses were \$5,249,922. The District used carryover dollars to cover the difference between revenue and expenditures.

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

Figure A-5

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 3,167,208	\$ 2,187,795
Support services	1,617,119	1,608,121
Non-instructional programs	1,750	1,750
Other expenses	<u>463,845</u>	<u>293,736</u>
Total expenses	<u>\$ 5,249,922</u>	<u>\$ 4,091,402</u>

- The cost financed by users of the District's programs was \$685,149.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$473,371.
- The net cost of governmental activities was financed with \$2,174,772 in property taxes and \$1,888,103 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$260,570 and expenses were \$247,974. 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.

Salaries and benefits account for 47% of the expenditures and the remaining 53% was spent on food supplies and other miscellaneous expenditures.

INDIVIDUAL FUND ANALYSIS

As previously noted, Durant 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 \$1,551,981, below last year's ending fund balances of \$1,643,567. The primary reason for the decrease is due to the state cutback and increased cost of health insurance.

Governmental Fund Highlights

- The District's declining General Fund balance is the result of many factors. The decrease in anticipated state revenue as well as increased General Fund expenditures in the area of health insurance required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,095,810 to \$937,935, due in part to the negotiated salary and benefits settlement, the reduction in state aid and existing expenditure commitments of the District, as well as a significant increase in health insurance cost.
- The Physical Plant and Equipment Levy (PEL) Fund balance decreased from \$237,809 in fiscal 2003 to \$186,949 in fiscal 2004. The increased expenditures were the result of a bus and computer purchases, and replacement of air compressors for the rooftop air handling units.
- The Capital Projects Fund balance increased slightly from 292,408 in fiscal 2003 to 294,399 in fiscal 2004. Revenues and expenditures remained relatively unchanged from the prior year.
- **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$56,711 at June 30, 2003 to \$69,307 at June 30, 2004, representing an increase of approximately 22%. The increased was due primarily to the change in commodities inventory throughout the year along with increased revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Durant Community School District amended its annual budget one time to reflect additional expenditures associated with increased health insurance and special education costs and additional revenues awarded through grants.

The District's receipts were \$83,108 more than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving grant money that was not anticipated and other miscellaneous revenue.

The total expenditures exceeded the budget by \$286,776 due primarily to the increased health insurance costs as well as special education costs. In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional function due to reporting the commodities received at year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$4,872,749, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$222,067.

The original cost of the District's capital assets was \$8,218,749. Governmental funds account for \$8,192,969, with the remainder of \$25,780 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the equipment category. This increase resulted from the purchase of a school bus. The increase in the buildings and improvements category was a result of a science room remodeling project.

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	2004	2003	2004	2003	2004	2003	
Land	\$ 59,907	\$ 59,907	\$ -	\$ -	\$ 59,907	\$ 59,907	0.00%
Buildings and improvements	4,273,002	4,386,951	-	-	4,273,002	4,386,951	-2.60%
Improvements, other than buildings	226,956	230,246	-	-	226,956	230,246	-1.43%
Furniture and equipment	<u>300,053</u>	<u>307,287</u>	<u>12,831</u>	<u>14,763</u>	<u>312,884</u>	<u>322,050</u>	-2.85%
Totals	<u>\$4,859,918</u>	<u>\$4,984,391</u>	<u>\$12,831</u>	<u>\$14,763</u>	<u>\$4,872,749</u>	<u>\$4,999,154</u>	-2.53%

Long-Term Debt

At June 30, 2004, the District had \$2,987,821 in general obligation and other long-term debt outstanding. This represents an increase of approximately 5% from last year. (See Figure A-7) The increase resulted from the refinancing of general obligation bonds. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In December 2003, the Durant School Board of Education approved the refinancing of \$3,095,000 General Obligation School Bonds. The refinancing of the bonds will result in a savings of approximately \$90,000 over the life of the bonds. The District also had \$20,857 in special termination benefits outstanding at June 30, 2004.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	2004	2003	2003-2004
General obligation bonds	\$ 2,955,000	\$ 2,765,000	6.87%
Capital loan notes	11,964	23,307	-48.67%
Early retirement	20,857	66,515	-68.64%
Total	<u>\$ 2,987,821</u>	<u>\$ 2,854,822</u>	4.66%

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:

- The District experienced a slight increase in certified enrollment during the 2003-2004 school year after several years of declining enrollment which will result in additional funds available in the 2004-2005 school year.
- The District had a significant increase in health insurance costs for both the 2003-2004 school year as well as the 2004-2005 school year.
- The District will be receiving Local Option Sales and Service Tax revenues from Cedar County starting in July 2004. The District already receives sales tax dollars from Scott and Muscatine Counties.

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 Lesa Kephart, District Secretary and Business Manager, Durant Community School District, 408 7th Street, P.O. Box 607, Durant, Iowa 52747.

Basic Financial Statements

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

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$1,470,626	\$ 41,910	\$ 1,512,536
Receivables			
Property tax			
Delinquent	23,556	-	23,556
Succeeding year	1,847,611	-	1,847,611
Accounts receivable	2,089	-	2,089
Due from other governments	147,223	-	147,223
Inventories	-	14,566	14,566
Capital assets, net of accumulated depreciation	4,859,918	12,831	4,872,749
Total assets	8,351,023	69,307	8,420,330
LIABILITIES			
Accounts payable	91,513	-	91,513
Accrued interest payable	18,497	-	18,497
Deferred revenue - succeeding year property tax	1,847,611	-	1,847,611
Long-term liabilities			
Portion due within one year			
Bonds payable	145,000	-	145,000
Capital loan notes payable	11,964	-	11,964
Portion due after one year			
Bonds payable	2,810,000	-	2,810,000
Unamortized loss on refunding	(330,000)	-	(330,000)
Early retirement payable	20,857	-	20,857
Total liabilities	4,615,442	-	4,615,442
NET ASSETS			
Invested in capital assets, net of related debt	1,892,954	12,831	1,905,785
Restricted for			
Capital projects	294,399	-	294,399
Management levy	21,743	-	21,743
Physical plant and equipment levy	186,949	-	186,949
Other special revenue purposes	81,345	-	81,345
Unrestricted	1,258,191	56,476	1,314,667
Total net assets	\$3,735,581	\$ 69,307	\$ 3,804,888

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

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

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 2,161,695	\$ 451,966	\$ 227,352	\$ -	\$ (1,482,377)	\$ -	\$ (1,482,377)
Special instruction	661,354	55,117	66,116	-	(540,121)	-	(540,121)
Other instruction	344,159	171,962	6,900	-	(165,297)	-	(165,297)
	<u>3,167,208</u>	<u>679,045</u>	<u>300,368</u>	<u>-</u>	<u>(2,187,795)</u>	<u>-</u>	<u>(2,187,795)</u>
Support services							
Student services	320,468	-	-	-	(320,468)	-	(320,468)
Instructional staff services	82,419	-	-	-	(82,419)	-	(82,419)
Administration services	476,481	-	-	-	(476,481)	-	(476,481)
Operation and maintenance of plant services	372,198	5,076	2,894	-	(364,228)	-	(364,228)
Transportation services	364,003	1,028	-	-	(362,975)	-	(362,975)
Central support services	1,550	-	-	-	(1,550)	-	(1,550)
	<u>1,617,119</u>	<u>6,104</u>	<u>2,894</u>	<u>-</u>	<u>(1,608,121)</u>	<u>-</u>	<u>(1,608,121)</u>
Non-instructional programs	<u>1,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,750)</u>	<u>-</u>	<u>(1,750)</u>
Other expenditures							
Facilities acquisition	19,729	-	-	-	(19,729)	-	(19,729)
Long-term debt interest	116,275	-	-	-	(116,275)	-	(116,275)
AEA flowthrough	170,109	-	170,109	-	-	-	-
Depreciation (unallocated) *	157,732	-	-	-	(157,732)	-	(157,732)
	<u>463,845</u>	<u>-</u>	<u>170,109</u>	<u>-</u>	<u>(293,736)</u>	<u>-</u>	<u>(293,736)</u>
Total governmental activities	<u>5,249,922</u>	<u>685,149</u>	<u>473,371</u>	<u>-</u>	<u>(4,091,402)</u>	<u>-</u>	<u>(4,091,402)</u>

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

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

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-type activities							
Non-instructional programs							
Nutrition services	\$ 247,974	\$ 196,341	\$ 63,924	\$ -	\$ -	\$ 12,291	\$ 12,291
Total	<u>\$ 5,497,896</u>	<u>\$ 881,490</u>	<u>\$ 537,295</u>	<u>\$ -</u>	<u>\$ (4,091,402)</u>	<u>\$ 12,291</u>	<u>\$ (4,079,111)</u>
 <u>General Revenues</u>							
Property tax levied for							
General purposes					1,809,234	-	1,809,234
Capital projects					215,550	-	215,550
Debt service					149,988	-	149,988
Unrestricted state grants					1,888,103	-	1,888,103
Unrestricted investment earnings					15,872	305	16,177
Other					1,780	-	1,780
Total general revenues					<u>4,080,527</u>	<u>305</u>	<u>4,080,832</u>
Change in net assets					(10,875)	12,596	1,721
Net assets, beginning of year, as restated					<u>3,746,456</u>	<u>56,711</u>	<u>3,803,167</u>
Net assets, end of year					<u>\$ 3,735,581</u>	<u>\$ 69,307</u>	<u>\$ 3,804,888</u>

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

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

DURANT COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2004

Exhibit C

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and pooled investments	\$ 881,047	\$ 198,456	\$ 273,770	\$ 117,353	\$ 1,470,626
Receivables					
Property tax					
Delinquent	19,423	933	-	3,200	23,556
Succeeding year	1,548,940	71,784	-	226,887	1,847,611
Accounts receivable	1,739	-	-	350	2,089
Due from other funds	-	-	-	12,440	12,440
Due from other governments	126,594	-	20,629	-	147,223
Total assets and other debits	<u>\$ 2,577,743</u>	<u>\$ 271,173</u>	<u>\$ 294,399</u>	<u>\$ 360,230</u>	<u>\$ 3,503,545</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 90,868	\$ -	\$ -	\$ 645	\$ 91,513
Due to other funds	-	12,440	-	-	12,440
Deferred revenue - Succeeding year property tax	1,548,940	71,784	-	226,887	1,847,611
Total liabilities	<u>1,639,808</u>	<u>84,224</u>	<u>-</u>	<u>227,532</u>	<u>1,951,564</u>

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

DURANT COMMUNITY SCHOOL DISTRICT
 Balance Sheet
 Governmental Funds
 June 30, 2004

Exhibit C

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances					
Designated for cash flows					
Reserved for	\$ 899,179	\$ -	\$ -	\$ -	\$ 899,179
Talented and gifted program	2,093	-	-	-	2,093
Early intervention grant	26,746	-	-	-	26,746
Phase III	9,028	-	-	-	9,028
Debt service	-	-	-	8,753	8,753
Unreserved, undesignated					
Special revenue funds	-	186,949	-	123,945	310,894
Other governmental	889	-	294,399	-	295,288
Total fund balances	<u>937,935</u>	<u>186,949</u>	<u>294,399</u>	<u>132,698</u>	<u>1,551,981</u>
Total liabilities and fund balances	<u>\$ 2,577,743</u>	<u>\$ 271,173</u>	<u>\$ 294,399</u>	<u>\$ 360,230</u>	<u>\$ 3,503,545</u>

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

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

Exhibit D

Total fund balances of governmental funds	\$ 1,551,981
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.	4,859,918
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.	(18,497)
Deferred loss on refunding bonds are not due and payable in the current period and, therefore, are not reported as a contra-liabilities in the governmental funds.	330,000
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,987,821)</u>
Net assets of governmental activities	<u>\$ 3,735,581</u>

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

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

Exhibit E

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$ 1,592,468	\$ 163,376	\$ 138,508	\$ 257,101	\$ 2,151,453
Tuition	475,576	-	-	-	475,576
Other	48,991	1,666	1,313	179,290	231,260
State sources	2,262,059	63	-	217	2,262,339
Federal sources	120,666	-	-	-	120,666
Total revenues	<u>4,499,760</u>	<u>165,105</u>	<u>139,821</u>	<u>436,608</u>	<u>5,241,294</u>
Expenditures					
Current					
Instruction					
Regular instruction	2,118,069	27,016	-	53,857	2,198,942
Special instruction	661,354	-	-	-	661,354
Other instruction	192,796	-	-	158,649	351,445
	<u>2,972,219</u>	<u>27,016</u>	<u>-</u>	<u>212,506</u>	<u>3,211,741</u>
Support services					
Student services	320,468	-	-	-	320,468
Instructional staff services	82,419	-	-	-	82,419
Administration services	461,929	8,598	-	4,355	474,882
Operation and maintenance of plant services	402,977	1,000	-	18,311	422,288
Transportation services	245,949	52,377	-	15,954	314,280
Central support services	1,550	-	-	-	1,550
	<u>1,515,292</u>	<u>61,975</u>	<u>-</u>	<u>38,620</u>	<u>1,615,887</u>

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

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

Exhibit E

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Expenditures (continued)					
Current (continued)					
Non-instructional programs	\$ 15	\$ -	\$ -	\$ 1,735	\$ 1,750
Other expenditures					
Facilities acquisition	-	-	55,345	-	55,345
Long-term debt					
Principal	-	-	-	151,343	151,343
Interest and fiscal charges	-	-	-	144,382	144,382
AEA flowthrough	170,109	-	-	-	170,109
	<u>170,109</u>	<u>-</u>	<u>55,345</u>	<u>295,725</u>	<u>521,179</u>
Total expenditures	<u>4,657,635</u>	<u>88,991</u>	<u>55,345</u>	<u>548,586</u>	<u>5,350,557</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(157,875)</u>	<u>76,114</u>	<u>84,476</u>	<u>(111,978)</u>	<u>(109,263)</u>
Other financing sources (uses)					
Proceeds from bond refunding, net of \$10,327 discount	-	-	-	3,084,673	3,084,673
Payment to refunded debt escrow agent	-	-	-	(3,066,996)	(3,066,996)
Interfund operating transfers in (out)	-	(126,974)	-	126,974	-
Total other financing sources (uses)	<u>-</u>	<u>(126,974)</u>	<u>-</u>	<u>144,651</u>	<u>17,677</u>
Net change in fund balances	(157,875)	(50,860)	84,476	32,673	(91,586)
Fund balance, beginning of year	<u>1,095,810</u>	<u>237,809</u>	<u>209,923</u>	<u>100,025</u>	<u>1,643,567</u>
Fund balance, end of year	<u>\$ 937,935</u>	<u>\$ 186,949</u>	<u>\$ 294,399</u>	<u>\$ 132,698</u>	<u>\$ 1,551,981</u>

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

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

Exhibit F

Net change in fund balances - total governmental funds \$ (91,586)

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

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

Capital outlays	\$ 95,662	
Depreciation expense	<u>(220,135)</u>	(124,473)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 151,343

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 the governmental funds.

Early retirement	45,658
------------------	--------

Proceeds of long-term refunded debt provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets. (3,084,673)

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. 3,092,856

Change in net assets of governmental activities \$ (10,875)

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

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2004

Exhibit G

	<u>Nonmajor Enterprise</u>
ASSETS	
Cash and pooled investments	\$ 41,910
Inventories	14,566
Capital assets, net of accumulated depreciation	<u>12,831</u>
Total assets	<u>69,307</u>
 LIABILITIES	
	<u>-</u>
 NET ASSETS	
Invested in capital assets, net of related debt	12,831
Unreserved retained earnings	<u>56,476</u>
Total net assets	<u><u>\$ 69,307</u></u>

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

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

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 196,341</u>
Operating expenses	
Non-instructional programs	
Salaries	84,136
Benefits	32,145
Supplies	129,761
Depreciation	<u>1,932</u>
Total operating expenses	<u>247,974</u>
Operating loss	<u>(51,633)</u>
Non-operating revenue	
Interest income	305
State sources	3,053
Federal sources	<u>60,871</u>
Total non-operating revenue	<u>64,229</u>
Change in net assets	12,596
Net assets, beginning of year	<u>56,711</u>
Net assets, end of year	<u><u>\$ 69,307</u></u>

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

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

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of lunches and breakfasts	\$ 196,341
Cash payments to employees for services	(116,281)
Cash payments to suppliers for goods and services	<u>(118,569)</u>
Net cash used in operating activities	<u>(38,509)</u>
Cash flows from non-capital financing activities	
State grants received	3,053
Federal grants received	<u>46,027</u>
Net cash provided by non-capital financing activities	<u>49,080</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>305</u>
Net increase in cash and cash equivalents	10,876
Cash and cash equivalents, beginning of year	<u>31,034</u>
Cash and cash equivalents, end of year	<u><u>\$ 41,910</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (51,633)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,932
Commodities used	14,844
(Increase) in inventories	<u>(3,652)</u>
Net cash used in operating activities	<u><u>\$ (38,509)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2004, the District received \$14,844 of federal commodities.

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

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2004

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	\$ 12,795
Liabilities	<u>-</u>
Net assets	
Reserved for scholarships	<u>\$ 12,795</u>

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

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2004

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$ 2,000
Interest	<u>60</u>
Total additions	2,060
Deductions	
Instruction	
Scholarships	<u>2,000</u>
Change in net assets	60
Net assets, beginning of year	<u>12,735</u>
Net assets, end of year	<u>\$ 12,795</u>

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

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

Note 1. Summary of Significant Accounting Policies

The Durant 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. The geographic area served includes the communities of Durant, Stockton, Sunbury and Pleasant Prairie, Iowa, and the agricultural territory in Cedar, Muscatine and Scott 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, Durant 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 Durant Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

The District does not participate in any jointly governed organizations for which the District is financially accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading.

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 improvement of those assets.

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

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

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

Fund financial statements - Separate financial statements are provided for governmental, 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 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 Physical Plant & Equipment Levy (PPEL) Fund is a special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, by Iowa Code section 298.2. This fund is created to deposit and expend money from the PPEL levy. The purpose of the fund is to pay the costs of specified major expenditures related to real property and equipment.

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.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include 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, early retirement and claims and judgments 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 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.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$5,000
Buildings	\$5,000
Improvements other than buildings	\$5,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$5,000

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	4-15 years

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

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

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

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

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

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

Designated Fund Balance - The District has designated a portion of its fund balance for cash flows.

E. Budgeting and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

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

The District had no investments at June 30, 2004.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 12,440

The Physical Plant and Equipment Levy Fund owed the Debt Service Fund for a payment made by the Debt Service Fund during the year ended June 30, 2004.

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 126,974

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

Note 5. Capital Assets

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

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 59,907	\$ -	\$ -	\$ 59,907
Capital assets being depreciated:				
Buildings and improvements	6,944,495	25,626	-	6,970,121
Improvements other than buildings	365,746	9,990	-	375,736
Furniture and equipment	727,159	60,046	-	787,205
Total capital assets being depreciated	<u>8,037,400</u>	<u>95,662</u>	<u>-</u>	<u>8,133,062</u>
Less accumulated depreciation for:				
Buildings and improvements	2,557,544	139,575	-	2,697,119
Improvements other than buildings	135,500	13,280	-	148,780
Furniture and equipment	419,872	67,280	-	487,152
Total accumulated depreciation	<u>3,112,916</u>	<u>220,135</u>	<u>-</u>	<u>3,333,051</u>
Total capital assets being depreciated, net	<u>4,924,484</u>	<u>(124,473)</u>	<u>-</u>	<u>4,800,011</u>
Governmental activities capital assets, net	<u>\$ 4,984,391</u>	<u>\$(124,473)</u>	<u>\$ -</u>	<u>\$ 4,859,918</u>

Business-type activities

Furniture and equipment	\$ 25,780	\$ -	\$ -	\$ 25,780
Less accumulated depreciation	<u>11,017</u>	<u>1,932</u>	<u>-</u>	<u>12,949</u>
Business-type activities capital assets, net	<u>\$ 14,763</u>	<u>\$ (1,932)</u>	<u>\$ -</u>	<u>\$ 12,831</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 8,411
Other	384
Support services	
Administration	1,599
Operation and maintenance of plant	2,286
Transportation	49,723
Unallocated	<u>157,732</u>
Total governmental activities depreciation expense	<u>\$ 220,135</u>

Business-type activities

Food services	<u>\$ 1,932</u>
---------------	-----------------

During the year ended June 30, 2004, the District hired an outside company to perform a physical inventory of its capital assets. Also during the year ended June 30, 2004 the District changed its criteria for determining capitalized assets. Prior to the fiscal year ended June 30, 2004 the District included all assets costing more than \$500 in the General Fixed Asset Account Group. However, beginning in FY04 the District only includes items costing in excess of the limits summarized in Note 1, item D as capital assets. Due to these two changes, the District's beginning balance of capital assets in the year ended June 30, 2004 is less than the amounts reported on the financial statements of the prior fiscal year by \$185,507.

Note 6. Long-term Liabilities

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

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 2,765,000	\$ 3,095,000	\$(2,905,000)	\$ 2,955,000	\$ 145,000
Capital loan notes	23,307	-	(11,343)	11,964	11,964
Early retirement	<u>66,515</u>	<u>-</u>	<u>(45,658)</u>	<u>20,857</u>	<u>20,857</u>
Totals	<u>\$ 2,854,822</u>	<u>\$ 3,095,000</u>	<u>\$(2,962,001)</u>	<u>\$ 2,987,821</u>	<u>\$ 177,821</u>

Capital Loan Note Payable

On June 1, 1998 the District issued an Energy Management Improvement Capital Loan Note in the amount of \$80,000 for making energy-efficient improvements to its buildings. Payments are due semi-annually. The balance of \$11,964, with interest of \$483, is to be repaid during the year ending June 30, 2005.

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be between the ages fifty-five and sixty-five and have completed fifteen years of continuous service to the District. Employees must complete an application that is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee is \$12,000 cash benefit plus \$50 per day for unused sick leave days. The early retirement incentive for eligible classified personnel is a percentage of their salary plus \$20 per day for unused sick leave, personal and vacation days. The liability for early retirement benefits as of June 30, 2004 was \$20,857 and five employees had requested early retirement and were receiving the benefit.

Bonded Indebtedness

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of January 8, 2004			
	Interest Rates	Principal	Interest	Total
2005	3.50%	\$ 145,000	\$ 110,662	\$ 255,662
2006	3.50%	150,000	105,588	255,588
2007	3.50%	155,000	100,337	255,337
2008	3.00%	155,000	94,913	249,913
2009	3.00%	160,000	90,262	250,262
2010	3.00%	165,000	85,463	250,463
2011	3.50%	170,000	80,512	250,512
2012	3.75%	175,000	74,563	249,563
2013	4.00%	180,000	68,000	248,000
2014	4.00%	190,000	60,800	250,800
2015	3.80%	200,000	53,200	253,200
2016	3.90%	205,000	45,600	250,600
2017	4.00%	210,000	37,605	247,605
2018	4.10%	225,000	29,205	254,205
2019	4.20%	230,000	19,980	249,980
2020	4.30%	<u>240,000</u>	<u>10,320</u>	<u>250,320</u>
Totals		<u>\$ 2,955,000</u>	<u>\$ 1,067,010</u>	<u>\$ 4,022,010</u>

Note 7. Advance Refunding of General Obligation Bonds

On January 8, 2004, the District issued general obligation bonds of \$3,095,000 (par value) with interest rates varying from 3.5% to 4.3% to advance refund a 2000 issuance of general obligation bonds with interest rates varying from 5.2% to 7.0%. The 2000 issue matures annually through June 2020, and are callable on April 1, 2009. The 2004 issue was issued at a net discount of \$10,327, and after paying issuance costs of \$36,084, the net proceeds were \$3,069,243. The net proceeds from the issuance of the 2004 bond issue were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the 2000 bonds until the bonds are called in April 2009. The advance refunding met the requirements of an in-substance debt defeasance and the 2000 issuance was removed from the District's General Long-term Debt Account Group.

As a result of the advance refunding, the District reduced its total debt service requirements by \$90,713, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$66,532.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$159,365, \$155,410 and \$157,335 respectively, equal to the required contributions for each year.

Note 9. 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 10. 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 \$170,109 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Accounting Change and Restatements

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

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

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

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

	Fund				
	<u>General</u>	Physical Plant	Capital	Total	
		<u>Levy</u>	<u>Projects</u>	<u>Governmental</u>	<u>Total</u>
		and Equipment		Nonmajor	
Net assets June 30, 2003, as previously reported	\$ 1,095,810	\$ 237,809	\$ 209,923	\$ 100,025	\$ 1,643,567
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 1,095,810</u>	<u>\$ 237,809</u>	<u>\$ 209,923</u>	100,025	1,643,567

Capital assets, net of accumulated depreciation of \$3,112,916		4,984,391
Long-term liabilities:		
Bonds	\$ (2,765,000)	
Capital loan notes	(23,307)	
Early retirement	<u>(66,515)</u>	
		(2,854,822)
Accrued interest payable		<u>(26,680)</u>
Net assets July 1, 2003, as restated		<u>\$ 3,746,456</u>

Note 12. Subsequent Event – Local Option Sales and Services Tax

Cedar County voters authorized the Local Option Sales and Services Tax beginning July 1, 2004. This tax is an additional sales tax of 1% on all taxable sales in Cedar County and will continue for 10 years. The revenue from this tax will be distributed to all school districts with students residing in Cedar County on a per student basis. Durant Community School District anticipates receiving \$94,095 from Cedar county and \$53,366 from the State of Iowa as supplemental aid annually beginning with the fiscal year ending June 30, 2005.

Note 13. Subsequent Event – Whole-Grade Sharing Agreement

In July 2004 the Durant Community School District entered into a whole-grade sharing agreement with Bennett Community School District whereby Bennett will send their students in grades 7-12 to Durant for instruction beginning in fiscal 2006. Durant Community School District will receive funding from Bennett Community School District in the form of tuition for these students based upon the amount stated in the whole-grade sharing agreement.

Required Supplementary Information

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>			
Revenues						
Local sources	\$ 2,858,289	\$ 196,646	\$ 3,054,935	\$ 2,836,308	\$ 2,836,308	\$ 218,627
State sources	2,262,339	3,053	2,265,392	2,453,797	2,453,797	(188,405)
Federal sources	120,666	60,871	181,537	128,651	128,651	52,886
Total revenues	<u>5,241,294</u>	<u>260,570</u>	<u>5,501,864</u>	<u>5,418,756</u>	<u>5,418,756</u>	<u>83,108</u>
Expenditures						
Instruction	3,211,741	-	3,211,741	3,119,633	3,300,798	89,057
Support services	1,615,887	-	1,615,887	1,583,688	1,780,953	165,066
Non-instructional programs	1,750	247,974	249,724	216,570	237,905	(11,819)
Other expenditures	521,179	-	521,179	565,651	565,651	44,472
Total expenditures	<u>5,350,557</u>	<u>247,974</u>	<u>5,598,531</u>	<u>5,485,542</u>	<u>5,885,307</u>	<u>286,776</u>
Excess (deficiency) of revenues over (under) expenditures	(109,263)	12,596	(96,667)	(66,786)	(466,551)	369,884
Other financing sources (uses), net	<u>17,677</u>	<u>-</u>	<u>17,677</u>	<u>-</u>	<u>-</u>	<u>17,677</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(91,586)	12,596	(78,990)	(66,786)	(466,551)	387,561
Balance, beginning of year	<u>1,643,567</u>	<u>56,711</u>	<u>1,700,278</u>	<u>1,581,154</u>	<u>1,581,154</u>	<u>119,124</u>
Balance, end of year	<u>\$ 1,551,981</u>	<u>\$ 69,307</u>	<u>\$ 1,621,288</u>	<u>\$ 1,514,368</u>	<u>\$ 1,114,603</u>	<u>\$ 506,685</u>

See accompanying Independent Auditor's Report.

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, 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 a basis consistent with U.S. generally accepted accounting principles.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$399,765.

During the year ended June 30, 2004, District expenditures exceeded the amount budgeted in the Non-instructional Programs function. However, the General Fund expenditures did not exceed the unspent authorized budget.

Other Supplementary Information

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

Schedule 1

	Special Revenue			
	Management	Student Activity	Debt Service	Total
ASSETS				
Cash and pooled investments	\$ 41,512	\$ 81,345	\$ -	\$ 122,857
Receivables				
Property tax				
Delinquent	1,383	-	1,817	3,200
Succeeding year	76,763	-	150,124	226,887
Accounts receivable	350	-	-	350
Due to other funds	-	-	12,440	12,440
Total assets	\$ 120,008	\$ 81,345	\$ 164,381	\$ 365,734
 LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 645	\$ -	\$ -	\$ 645
Excess of warrants over bank	-	-	5,504	5,504
Deferred revenue				
Succeeding year property tax	76,763	-	150,124	226,887
Total liabilities	77,408	-	155,628	233,036
 Fund equity				
Reserved for debt service	-	-	8,753	8,753
Unreserved fund balances	42,600	81,345	-	123,945
Total fund equity	42,600	81,345	8,753	132,698
Total liabilities and fund equity	\$ 120,008	\$ 81,345	\$ 164,381	\$ 365,734

See accompanying Independent Auditor's Report.

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

Schedule 2

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Revenues				
Local sources				
Local taxes	\$ 107,236	\$ -	\$ 149,865	\$ 257,101
Other	477	172,342	6,471	179,290
State sources	94	-	123	217
Total revenues	107,807	172,342	156,459	436,608
Expenditures				
Instruction				
Regular program instruction	53,857	-	-	53,857
Other instruction	-	158,649	-	158,649
Support services				
Administration services	4,355	-	-	4,355
Operation and maintenance of plant services	18,311	-	-	18,311
Transportation services	15,954	-	-	15,954
Non-instructional programs	1,735	-	-	1,735
Other expenditures				
Long-term debt: Principal	-	-	151,343	151,343
Interest and fiscal charges	-	-	144,382	144,382
Total expenditures	94,212	158,649	295,725	548,586
Excess (deficiency) of revenues over (under) expenditures	13,595	13,693	(139,266)	(111,978)
Other financing sources (uses)				
Proceeds from bond refunding, net of \$10,327 discount	-	-	3,084,673	3,084,673
Payment to refunded debt escrow agent	-	-	(3,066,996)	(3,066,996)
Interfund operating transfers in	-	-	126,974	126,974
Total other financing sources	-	-	144,651	144,651
Net change in fund balances	13,595	13,693	5,385	32,673
Fund balances, beginning of year	29,005	67,652	3,368	100,025
Fund balances, end of year	\$ 42,600	\$ 81,345	\$ 8,753	\$ 132,698

See accompanying Independent Auditor's Report.

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

Schedule 3

Account	Balance, Beginning of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Intrafund <u>Transfers</u>	Balance, End of <u>Year</u>
Athletics	\$ 19,680	\$ 68,046	\$ 57,144	\$ 184	\$ 30,766
Athletic equipment	5,636	-	-	57	5,693
Band	2,464	9,040	3,717	(26)	7,761
Class of:					
2003	1,418	-	1,000	21	439
2004	2,170	130	28	(472)	1,800
2005	31	12,149	11,127	(200)	853
2006	200	100	524	326	102
2007	-	44	-	-	44
Close Up	1,502	9,075	8,955	18	1,640
D club	374	106	205	20	295
Drama	4,343	4,126	5,193	39	3,315
FHA	398	-	-	4	402
F&CS project	107	-	-	2	109
Football camp	416	4,768	4,418	8	774
High school cheerleading	684	8,409	6,866	612	2,839
Interest	630	377	-	(627)	380
Jr high cheerleaders	1,270	-	-	(587)	683
Jr high student council	2,110	6,788	7,198	26	1,726
K-8 memory book	2,910	3,583	2,636	17	3,874
Kitten camp	435	2,606	1,816	7	1,232
Library book club	85	-	54	1	32
NFL	5,572	100	703	58	5,027
National Honor Society	910	469	564	8	823
Outside classroom	573	500	448	6	631
Physical fitness	193	-	-	5	198
Playground	342	-	-	3	345
Resale	166	2,430	2,290	7	313
Spanish	420	497	845	4	76

See accompanying Independent Auditor's Report.

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

Schedule 3

Account	Balance, Beginning of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Intrafund <u>Transfers</u>	Balance, End of <u>Year</u>
Student council	\$ 3,098	\$ 9,503	\$ 9,565	\$ (100)	\$ 2,936
TSA	967	48	392	15	638
Vocal	882	18,056	17,499	6	1,445
Volleyball	2,863	2,697	2,602	18	2,976
Boys basketball camp	-	2,040	1,154	-	886
Yearbook	<u>4,803</u>	<u>6,655</u>	<u>11,706</u>	<u>540</u>	<u>292</u>
Totals	<u>\$ 67,652</u>	<u>\$ 172,342</u>	<u>\$ 158,649</u>	<u>\$ -</u>	<u>\$ 81,345</u>

See accompanying Independent Auditor's Report.

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

Schedule 4

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues				
Local sources				
Local tax	\$ 2,151,453	\$ 2,188,367	\$ 2,137,952	\$ 1,908,055
Tuition	475,576	464,555	431,694	432,403
Other	229,013	241,675	228,749	314,183
State sources	2,262,339	2,286,284	2,230,101	2,193,104
Federal sources	<u>120,666</u>	<u>93,329</u>	<u>89,520</u>	<u>95,282</u>
 Total revenues	 <u>\$ 5,239,047</u>	 <u>\$ 5,274,210</u>	 <u>\$ 5,118,016</u>	 <u>\$ 4,943,027</u>
Expenditures				
Instruction				
Regular instruction	2,198,942	2,031,063	1,986,459	1,996,003
Special instruction	661,354	587,306	638,636	578,549
Other instruction	351,445	339,762	326,951	313,492
Support services				
Student services	320,468	253,516	235,494	290,311
Instructional staff services	82,419	83,235	90,432	103,314
Administration services	474,882	429,854	437,061	438,518
Operation and maintenance of plant services	422,288	437,087	428,921	509,712
Transportation services	314,280	228,663	179,844	220,976
Central support services	1,550	1,729	315	8,165
Non-instructional programs	1,750	1,722	1,576	1,450
Other expenditures				
Facilities acquisition	55,345	58,060	598,266	2,726,688
Long-term debt				
Principal	151,343	105,753	100,194	9,664
Interest and other charges	124,458	168,710	175,412	175,862
AEA flowthrough	<u>170,109</u>	<u>180,670</u>	<u>178,293</u>	<u>184,134</u>
 Total expenditures	 <u>\$ 5,330,633</u>	 <u>\$ 4,907,130</u>	 <u>\$ 5,377,854</u>	 <u>\$ 7,556,838</u>

See accompanying Independent Auditor's Report.

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

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

I have audited the financial statements of the Durant Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated October 12, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Durant Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that are described below.

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

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

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

Recommendation - The certified budget was amended, but not in a sufficient amount to cover expenditures. The District should have amended in a sufficient amount before expenditures 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.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
5. Business Transactions - No business transactions between the District and District officials were noted.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Durant Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However I noted certain matters involving the

internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Durant Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Prior year reportable conditions have not been resolved. Current year reportable conditions are as follows:

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

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

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

Conclusion - Response accepted.

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

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

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



Kay L. Chapman, CPA PC
October 12, 2004

DURANT COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2004

This audit was performed by

Kay Chapman, CPA