

DURANT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

DURANT COMMUNITY SCHOOL DISTRICT
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DURANT COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2005

Name	Title	Term Expires
Board of Education		
(Before September 2004 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
(After September 2004 Election)		
Gary Workman	Board President	2006
Sheila Compton	Board Member	2005
Pam Sissel	Board Member	2005
Loren Bockwoldt	Board Member (died March 2005)	2007
Tami Schmidt	Board Member (appointed April 2005)	2005
Jane Lichtenstein	Board Member (resigned April 2005)	2007
Dick Stoltenberg	Board Member (appointed May 2005)	2005
School Officials		
Dr. James D. Wagner	Superintendent	2005
Lesia Kephart	District Secretary	2005
Philip Keese	District Treasurer	2005
Lane & Waterman	Attorney	2005

KAY L. CHAPMAN, CPA PC

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

Independent Auditor's Report

To the Board of Education
Durant Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Durant Community School District, Durant, 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 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, 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 October 11, 2005 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, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 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 required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other 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 11, 2005

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

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,499,760 in fiscal 2004 to \$4,813,780 in fiscal 2005, while General Fund expenditures decreased from \$4,657,635 in fiscal 2004 to \$4,647,426 in fiscal 2005. The District's General Fund balance increased from \$937,935 in fiscal 2004 to \$1,105,424 in fiscal 2005, an 18% increase.
- The District had an increase in enrollment which resulted in additional dollars for this fiscal year.
- The District received several grants that were not budgeted during the year. \$25,000 Iowa Star Schools Grant and \$17,970 and \$20,196 grants from the Scott County Regional Authority were among the most significant grants received.
- The District started receiving Local Option Sales and Service Tax dollars from Cedar County that had not been available in the past.

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.

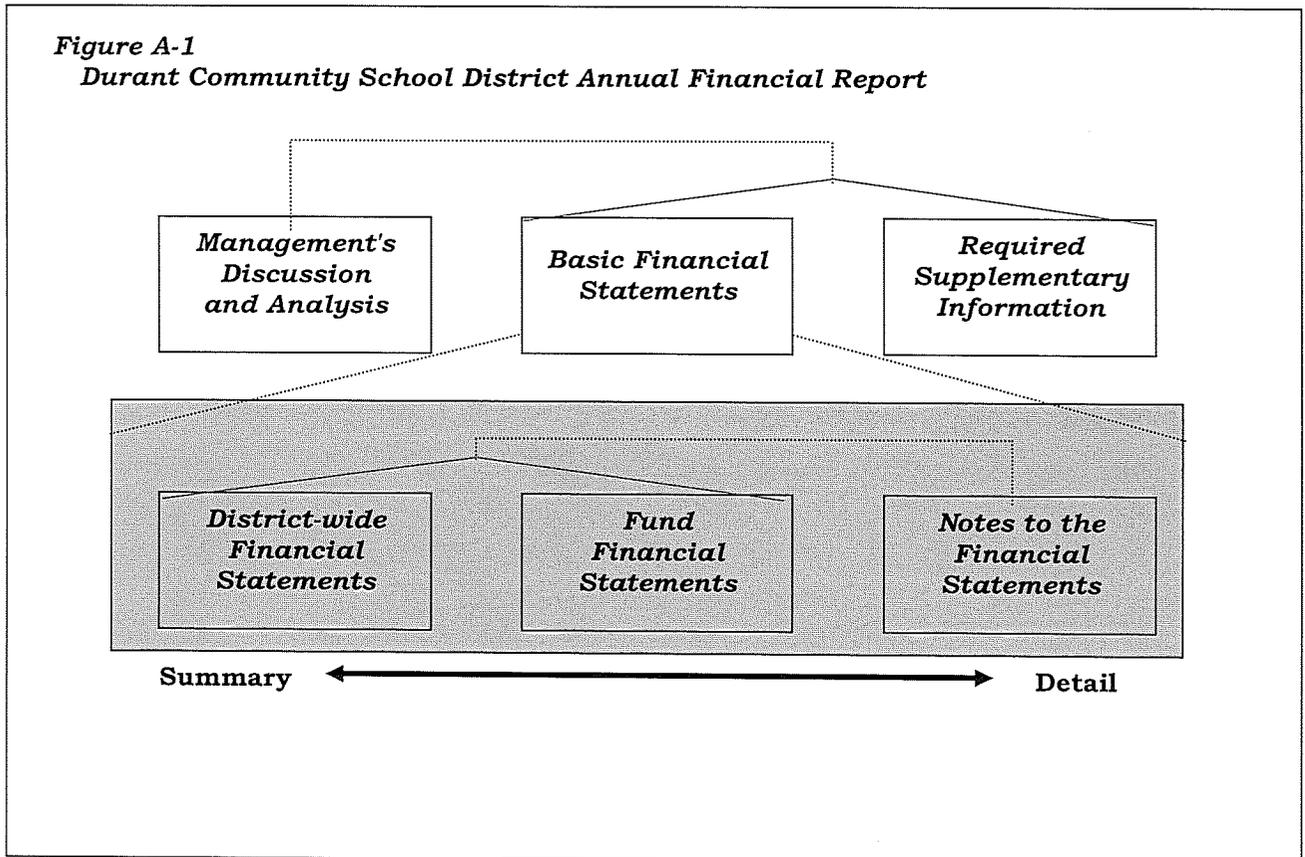


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Current and other assets	\$ 3,730,285	\$ 3,491,105	\$ 57,493	\$ 56,476	\$ 3,787,778	\$ 3,547,581	6.77%
Capital assets	<u>4,677,171</u>	<u>4,859,918</u>	<u>10,982</u>	<u>12,831</u>	<u>4,688,153</u>	<u>4,872,749</u>	-3.79%
Total assets	<u>8,407,456</u>	<u>8,351,023</u>	<u>68,475</u>	<u>69,307</u>	<u>8,475,931</u>	<u>8,420,330</u>	0.66%
Long-term obligations	2,533,262	2,657,821	-	-	2,533,262	2,657,821	0.00%
Other liabilities	<u>1,953,656</u>	<u>1,957,621</u>	-	-	<u>1,953,656</u>	<u>1,957,621</u>	-0.20%
Total liabilities	<u>4,486,918</u>	<u>4,615,442</u>	-	-	<u>4,486,918</u>	<u>4,615,442</u>	-2.78%
Net assets							
Invested in capital assets, net of related debt	2,176,546	1,892,954	10,982	12,831	2,187,528	1,905,785	14.78%
Restricted	638,568	584,436	-	-	638,568	584,436	9.26%
Unrestricted	<u>1,105,424</u>	<u>1,258,191</u>	<u>57,493</u>	<u>56,476</u>	<u>1,162,917</u>	<u>1,314,667</u>	-11.54%
Total net assets	<u>\$ 3,920,538</u>	<u>\$ 3,735,581</u>	<u>\$ 68,475</u>	<u>\$ 69,307</u>	<u>\$ 3,989,013</u>	<u>\$ 3,804,888</u>	4.84%

The District’s combined net assets increased by approximately 5%, or \$184,125, from the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$54,132, or approximately 9% over the prior year. The increase was the result of additional Local Option Sales and Service Tax dollars that had not been available in the past as well as some building projects that were not started or finished in the current fiscal year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$151,750, or approximately 11%. The decrease was largely due to the unamortized premium of \$330,000 for a bond refunding that was reflected last fiscal year that is not reflected this year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service and sales	\$ 879,984	\$ 685,149	\$ 203,226	\$ 196,341	\$ 1,083,210	\$ 881,490
Operating grants, contributions and restricted interest	480,861	473,371	57,474	63,924	538,335	537,295
General revenues						
Property and sales taxes	2,301,307	2,174,772	-	-	2,301,307	2,174,772
Unrestricted state grants	2,048,026	1,888,103	-	-	2,048,026	1,888,103
Unrestricted investment earnings	19,282	15,872	340	305	19,622	16,177
Contributions and donations	1,635	-	-	-	1,635	-
Other	<u>1,725</u>	<u>1,780</u>	<u>-</u>	<u>-</u>	<u>1,725</u>	<u>1,780</u>
Total revenues	<u>5,732,820</u>	<u>5,239,047</u>	<u>261,040</u>	<u>260,570</u>	<u>5,993,860</u>	<u>5,499,617</u>
Program expenses						
Governmental activities						
Instruction	3,213,109	3,167,208	-	-	3,213,109	3,167,208
Support services	1,582,203	1,617,119	-	-	1,582,203	1,617,119
Non-instructional programs	1,949	1,750	261,872	247,974	263,821	249,724
Other expenses	<u>502,682</u>	<u>463,845</u>	<u>-</u>	<u>-</u>	<u>502,682</u>	<u>463,845</u>
Total expenses	<u>5,299,943</u>	<u>5,249,922</u>	<u>261,872</u>	<u>247,974</u>	<u>5,561,815</u>	<u>5,497,896</u>
Change in net assets	<u>\$ 432,877</u>	<u>\$ (10,875)</u>	<u>\$ (832)</u>	<u>\$ 12,596</u>	<u>\$ 432,045</u>	<u>\$ 1,721</u>

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,732,820 and expenses were \$5,299,943. The district received additional dollars in the area of tuition, refunds from prior years and additional Local Option Sales and Service Tax dollars. Expenditures increased only slightly due to efforts to control spending in the current fiscal year in anticipation of reduced funds available next year due to declining enrollment.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,213,109	\$ 2,030,229
Support services	1,582,203	1,575,488
Non-instructional programs	1,949	1,949
Other expenses	502,682	331,432
Total expenses	\$ 5,299,943	\$ 3,939,098

- The cost financed by users of the District’s programs was \$879,984.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$480,861.
- The net cost of governmental activities was financed with \$2,301,307 in property taxes and \$2,048,026 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$261,040 and expenses were \$261,872. 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 \$1,785,428, above last year’s ending fund balances of \$1,551,981. The primary reason for the increase is due to receiving additional Local Option Sales and Service Tax dollars from Cedar County as well as additional tuition and grant dollars. The district also limited expenditures due to a declining enrollment for the next fiscal year.

Governmental Fund Highlights

- The District's improving General Fund balance is the result of many factors. The General Fund balance increased from \$937,935 to \$1,105,424, due in part to additional income received for tuition and grant dollars and limiting expenditures due to declining enrollment which affects next years available funds.
- The Capital Projects Fund balance increased from \$294,399 in fiscal 2004 to \$390,413 in fiscal 2005. The additional Local Option Sales and Service Tax positively impacted the Capital Projects Fund balance.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$69,307 at June 30, 2004 to \$68,475 at June 30, 2005, representing a decrease of approximately 1%. The decrease was due primarily to increasing operating costs as well as a decrease in Federal funding.

BUDGETARY HIGHLIGHTS

Over the course of the year, Durant Community School District amended its annual budget one time to reflect additional revenues awarded through grants, computer and computer related purchases, and additional anticipated projects in the Capital Projects fund.

The District's receipts were \$370,499 more than budgeted receipts, a variance of approximately 7%. The most significant variance resulted from the District receiving grant money that was not anticipated, tuition and other miscellaneous revenue, as well as, Local Option Sales and Service Tax received from Cedar County.

The total expenditures were \$465,752 less than the amended budget. The district cut back in the area of instruction and some capital projects were not started or completed in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$4,688,153, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$233,246.

The original cost of the District's capital assets was \$8,477,651. Governmental funds account for \$8,451,871, with the remainder of \$25,780 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Land	\$ 59,907	\$ 59,907	\$ -	\$ -	\$ 59,907	\$ 59,907	0.00%
Buildings and improvements	4,135,829	4,133,845	-	-	4,135,829	4,133,845	0.05%
Improvements, other than buildings	175,235	185,062	-	-	175,235	185,062	-5.31%
Furniture and equipment	<u>306,200</u>	<u>233,184</u>	<u>10,982</u>	<u>12,831</u>	<u>317,182</u>	<u>246,015</u>	28.93%
Totals	<u>\$4,677,171</u>	<u>\$4,611,998</u>	<u>\$10,982</u>	<u>\$12,831</u>	<u>\$4,688,153</u>	<u>\$4,624,829</u>	1.37%

The largest change in capital asset activity during the year occurred in the equipment category. This increase resulted largely from the purchase of computers and computer related equipment.

Long-Term Debt

At June 30, 2005, the District had \$2,842,637 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) The decrease resulted largely from paying off the Capital Loan note for the Energy Management Loan. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
General obligation bonds	\$ 2,810,000	\$ 2,955,000	-4.91%
Capital loan notes	-	11,964	-100.00%
Early retirement	<u>32,637</u>	<u>20,857</u>	56.48%
Total	<u>\$ 2,842,637</u>	<u>\$ 2,987,821</u>	-4.86%

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 significant decrease in certified enrollment during the 2004-2005 school year which could potentially result in a reduction of funds available in the 2005-2006 school year.
- The District will have a significant decrease in health insurance costs for the 2005-2006 school year.
- The District will begin Whole-grade sharing with the Bennett Community School District grades 7-12 in the 2006 fiscal year.

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, 2005

Exhibit A

ASSETS	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,670,864	\$ 44,279	\$ 1,715,143
Receivables			
Property tax			
Delinquent	26,672	-	26,672
Succeeding year	1,878,285	-	1,878,285
Accounts receivable	7,856	-	7,856
Due from other governments	146,608	-	146,608
Inventories	-	13,214	13,214
Capital assets, net of accumulated depreciation	<u>4,677,171</u>	<u>10,982</u>	<u>4,688,153</u>
Total assets	<u>8,407,456</u>	<u>68,475</u>	<u>8,475,931</u>
 LIABILITIES			
Accounts payable	66,160	-	66,160
Salaries and benefits payable	412	-	412
Accrued interest payable	8,799	-	8,799
Deferred revenue - succeeding year property tax	1,878,285	-	1,878,285
Long-term liabilities			
Portion due within one year			
Bonds payable	150,000	-	150,000
Early retirement payable	16,318	-	16,318
Portion due after one year			
Bonds payable	2,660,000	-	2,660,000
Unamortized bond premium	(309,375)	-	(309,375)
Early retirement payable	<u>16,319</u>	<u>-</u>	<u>16,319</u>
Total liabilities	<u>4,486,918</u>	<u>-</u>	<u>4,486,918</u>
 NET ASSETS			
Invested in capital assets, net of related debt	2,176,546	10,982	2,187,528
Restricted for			
Capital projects	390,413	-	390,413
Management levy	7,440	-	7,440
Physical plant and equipment levy	152,159	-	152,159
Other special revenue purposes	84,832	-	84,832
Debt service	3,724	-	3,724
Unrestricted	<u>1,105,424</u>	<u>57,493</u>	<u>1,162,917</u>
Total net assets	<u>\$ 3,920,538</u>	<u>\$ 68,475</u>	<u>\$ 3,989,013</u>

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

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental activities							
Instruction							
Regular instruction	\$2,143,350	\$ 635,004	\$ 226,887	\$ -	\$ (1,281,459)	-	\$ (1,281,459)
Special instruction	562,300	86,938	76,044	-	(399,318)	-	(399,318)
Other instruction	507,459	152,437	5,570	-	(349,452)	-	(349,452)
	<u>3,213,109</u>	<u>874,379</u>	<u>308,501</u>	<u>-</u>	<u>(2,030,229)</u>	<u>-</u>	<u>(2,030,229)</u>
Support services							
Student services	209,740	-	-	-	(209,740)	-	(209,740)
Instructional staff services	178,084	-	-	-	(178,084)	-	(178,084)
Administration services	484,795	-	-	-	(484,795)	-	(484,795)
Operation and maintenance of plant services	457,338	5,130	-	-	(452,208)	-	(452,208)
Transportation services	250,746	475	1,110	-	(249,161)	-	(249,161)
Central support services	1,500	-	-	-	(1,500)	-	(1,500)
	<u>1,582,203</u>	<u>5,605</u>	<u>1,110</u>	<u>-</u>	<u>(1,575,488)</u>	<u>-</u>	<u>(1,575,488)</u>
Non-instructional programs	<u>1,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,949)</u>	<u>-</u>	<u>(1,949)</u>
Other expenditures							
Facilities acquisition	38,450	-	-	-	(38,450)	-	(38,450)
Long-term debt interest	122,472	-	-	-	(122,472)	-	(122,472)
AEA flowthrough	171,250	-	171,250	-	-	-	-
Depreciation (unallocated) *	170,510	-	-	-	(170,510)	-	(170,510)
	<u>502,682</u>	<u>-</u>	<u>171,250</u>	<u>-</u>	<u>(331,432)</u>	<u>-</u>	<u>(331,432)</u>
Total governmental activities	<u>5,299,943</u>	<u>879,984</u>	<u>480,861</u>	<u>-</u>	<u>(3,939,098)</u>	<u>-</u>	<u>(3,939,098)</u>

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

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities						
Non-instructional programs						
Nutrition services	\$ 261,872	\$ 203,226	\$ -	\$ -	\$ (1,172)	\$ (1,172)
Total	\$ 5,561,815	\$ 1,083,210	\$ -	\$ -	\$ (1,172)	\$ (3,940,270)
General Revenues						
Property tax levied for						
General purposes				1,672,935	-	1,672,935
Capital projects				478,111	-	478,111
Debt service				150,261	-	150,261
Unrestricted state grants				2,048,026	-	2,048,026
Contributions and donations				1,635	-	1,635
Unrestricted investment earnings				19,282	340	19,622
Other				1,725	-	1,725
Total general revenues				4,371,975	340	4,372,315
Change in net assets				432,877	(832)	432,045
Net assets, beginning of year, as restated				3,487,661	69,307	3,556,968
Net assets, end of year				\$ 3,920,538	\$ 68,475	\$ 3,989,013

* 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, 2005

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 1,110,638	\$ 277,777	\$ 282,449	\$ 1,670,864
Receivables				
Property tax				
Delinquent	22,339	-	4,333	26,672
Succeeding year	1,556,287	-	321,998	1,878,285
Accounts receivable	4,811	-	3,045	7,856
Due from other governments	33,972	112,636	-	146,608
Total assets and other debits	<u>\$ 2,728,047</u>	<u>\$ 390,413</u>	<u>\$ 611,825</u>	<u>\$ 3,730,285</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 65,924	\$ -	\$ 236	\$ 66,160
Accrued salary and benefits payable	412	-	-	412
Deferred revenue				
Succeeding year property tax	1,556,287	-	321,998	1,878,285
Total liabilities	<u>1,622,623</u>	<u>-</u>	<u>322,234</u>	<u>1,944,857</u>
 Fund balances				
Designated for cash flows				
Early intervention grant	19,195	-	-	19,195
Phase III	4,590	-	-	4,590
Debt service	-	-	12,523	12,523
Unreserved, undesignated				
Special revenue funds	-	-	277,068	277,068
Governmental	1,081,639	390,413	-	1,472,052
Total fund balances	<u>1,105,424</u>	<u>390,413</u>	<u>289,591</u>	<u>1,785,428</u>
Total liabilities and fund balances	<u>\$ 2,728,047</u>	<u>\$ 390,413</u>	<u>\$ 611,825</u>	<u>\$ 3,730,285</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, 2005

Exhibit D

Total fund balances of governmental funds	\$ 1,785,428
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.	4,677,171
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.	(8,799)
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>(2,533,262)</u>
Net assets of governmental activities	<u>\$ 3,920,538</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, 2005

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 1,594,189	\$ 312,631	\$ 393,473	\$ 2,300,293
Tuition	569,356	-	-	569,356
Other	120,495	3,284	208,356	332,135
Intermediate sources	3,252	-	-	3,252
State sources	2,401,931	-	161	2,402,092
Federal sources	124,557	-	-	124,557
Total revenues	<u>4,813,780</u>	<u>315,915</u>	<u>601,990</u>	<u>5,731,685</u>
Expenditures				
Current				
Instruction				
Regular instruction	2,112,537	-	29,382	2,141,919
Special instruction	562,300	-	-	562,300
Other instruction	305,867	-	201,592	507,459
	<u>2,980,704</u>	<u>-</u>	<u>230,974</u>	<u>3,211,678</u>
Support services				
Student services	209,740	-	-	209,740
Instructional staff services	164,834	-	13,250	178,084
Administration services	471,617	-	11,579	483,196
Operation and maintenance of plant services	432,008	-	34,930	466,938
Transportation services	215,747	-	69,681	285,428
Other support services	1,500	-	-	1,500
	<u>1,495,446</u>	<u>-</u>	<u>129,440</u>	<u>1,624,886</u>
Non-instructional programs	<u>26</u>	<u>-</u>	<u>1,923</u>	<u>1,949</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, 2005

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Expenditures (continued)				
Other expenditures				
Facilities acquisition	\$ -	\$ 219,901	\$ 1,200	\$ 221,101
Long-term debt				
Principal	-	-	156,964	156,964
Interest and fiscal charges	-	-	111,545	111,545
AEA flowthrough	171,250	-	-	171,250
	<u>171,250</u>	<u>219,901</u>	<u>269,709</u>	<u>660,860</u>
Total expenditures	<u>4,647,426</u>	<u>219,901</u>	<u>632,046</u>	<u>5,499,373</u>
Excess (deficiency) of revenues over (under) expenditures	166,354	96,014	(30,056)	232,312
Other financing sources				
Sale of equipment and materials	<u>1,135</u>	<u>-</u>	<u>-</u>	<u>1,135</u>
Net change in fund balances	167,489	96,014	(30,056)	233,447
Fund balance, beginning of year	937,935	294,399	319,647	1,551,981
Fund balance, end of year	<u>\$ 1,105,424</u>	<u>\$ 390,413</u>	<u>\$ 289,591</u>	<u>\$ 1,785,428</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, 2005

Exhibit F

Net change in fund balances - total governmental funds \$ 233,447

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	\$ 296,570	
Depreciation expense	<u>(231,397)</u>	65,173

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. 156,964

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		(11,780)
------------------	--	----------

Gain on refunding of bonds required the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. However, the gain is amortized over the remaining life of the bonds. The annual amortization is reported as an expenditure in the Statement of Activities. (20,625)

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. 9,698

Change in net assets of governmental activities \$ 432,877

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

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2005

Exhibit G

	<u>Nonmajor School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 44,279
Inventories	13,214
Capital assets, net of accumulated depreciation	<u>10,982</u>
Total assets	<u>68,475</u>
 LIABILITIES	
	<u>-</u>
 NET ASSETS	
Invested in capital assets, net of related debt	10,982
Unreserved retained earnings	<u>57,493</u>
Total net assets	<u><u>\$ 68,475</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, 2005

Exhibit H

	<u>Nonmajor School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 203,226</u>
Operating expenses	
Non-instructional programs	
Salaries	85,400
Benefits	32,913
Purchased services	4,830
Supplies	136,760
Miscellaneous	120
Depreciation	<u>1,849</u>
Total operating expenses	<u>261,872</u>
Operating loss	<u>(58,646)</u>
Non-operating revenue	
Interest income	340
State sources	3,022
Federal sources	<u>54,452</u>
Total non-operating revenue	<u>57,814</u>
Change in net assets	(832)
Net assets, beginning of year	<u>69,307</u>
Net assets, end of year	<u>\$ 68,475</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, 2005

Exhibit I

	<u>Nonmajor School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of lunches and breakfasts	\$ 203,226
Cash payments to employees for services	(118,313)
Cash payments to suppliers for goods and services	<u>(129,830)</u>
Net cash used in operating activities	<u>(44,917)</u>
Cash flows from non-capital financing activities	
State grants received	3,022
Federal grants received	<u>43,924</u>
Net cash provided by non-capital financing activities	<u>46,946</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>340</u>
Net increase in cash and cash equivalents	2,369
Cash and cash equivalents, beginning of year	<u>41,910</u>
Cash and cash equivalents, end of year	<u><u>\$ 44,279</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (58,646)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,849
Commodities used	10,528
Decrease in inventories	<u>1,352</u>
Net cash used in operating activities	<u><u>\$ (44,917)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2005, the District received \$10,528 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, 2005

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash and pooled investments	\$ 12,881
Liabilities	<u> -</u>
Net assets	
Reserved for scholarships	<u>\$ 12,881</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, 2005

Exhibit K

	<u>Private Purpose Trust</u> <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ 86
Deductions	<u>-</u>
Change in net assets	86
Net assets, beginning of year	<u>12,795</u>
Net assets, end of year	<u><u>\$ 12,881</u></u>

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

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

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.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports no major proprietary funds. However, the District reports one nonmajor proprietary fund, the enterprise, School Nutrition Fund, which 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 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, 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
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, 2005. 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, 2005, expenditures did not exceed the amounts budgeted in any of the four functions; nor did General Fund expenditures exceed the District's unspent authorized budget.

Note 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 investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had no investments.

Investment 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.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 122,018

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

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2005 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	6,970,121	149,887	-	7,120,008
Improvements other than buildings	375,736	5,715	-	381,451
Furniture and equipment	<u>787,205</u>	<u>140,968</u>	<u>(37,668)</u>	<u>890,505</u>
Total capital assets being depreciated	<u>8,133,062</u>	<u>296,570</u>	<u>(37,668)</u>	<u>8,391,964</u>
Less accumulated depreciation for:				
Buildings and improvements	2,836,276	147,903	-	2,984,179
Improvements other than buildings	190,674	15,542	-	206,216
Furniture and equipment	<u>554,021</u>	<u>67,952</u>	<u>(37,668)</u>	<u>584,305</u>
Total accumulated depreciation	<u>3,580,971</u>	<u>231,397</u>	<u>(37,668)</u>	<u>3,774,700</u>
Total capital assets being depreciated, net	<u>4,552,091</u>	<u>65,173</u>	<u>-</u>	<u>4,617,264</u>
Governmental activities capital assets, net	<u>\$ 4,611,998</u>	<u>\$ 65,173</u>	<u>\$ -</u>	<u>\$ 4,677,171</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 25,780	\$ -	\$ -	\$ 25,780
Less accumulated depreciation	<u>12,949</u>	<u>1,849</u>	<u>-</u>	<u>14,798</u>
Business type activities capital assets, net	<u>\$ 12,831</u>	<u>\$ (1,849)</u>	<u>\$ -</u>	<u>\$ 10,982</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction		
Regular	\$	7,097
Support services		
Administration		1,599
Operation and maintenance of plant		3,521
Transportation		48,670
Unallocated		<u>170,510</u>
Total governmental activities depreciation expense	\$	<u>231,397</u>

Business type activities

Food services	\$	<u>1,849</u>
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During the year ended June 30, 2005, the District noted that the accumulated depreciation was incorrectly calculated and reported in the prior fiscal year. Therefore, the beginning fund balance for the governmental activities in the Statement of Net Assets was reduced by \$247,920.

Note 5. 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	\$ 2,955,000	\$ -	\$ (145,000)	\$ 2,810,000	\$ 150,000
Capital loan notes	11,964	-	(11,964)	-	-
Early retirement	<u>20,857</u>	<u>32,637</u>	<u>(20,857)</u>	<u>32,637</u>	<u>16,318</u>
Totals	<u>\$ 2,987,821</u>	<u>\$ 32,637</u>	<u>\$ (177,821)</u>	<u>\$ 2,842,637</u>	<u>\$ 166,318</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, was 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, 2005 was \$32,637 and five employees had requested early retirement and were receiving the benefit.

Bonded Indebtedness

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

Year Ending <u>June 30,</u>	Bond issue of January 8, 2004			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,810,000</u>	<u>\$ 956,348</u>	<u>\$ 3,766,348</u>

Note 6. 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, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$162,712, \$159,365 and \$155,410 respectively, equal to the required contributions for each year.

Note 7. 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 8. 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 \$171,250 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. 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, 2005

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>	Budgeted Amounts <u>Original</u>	<u>Final</u>	Final to Actual <u>Variance</u>
Revenues						
Local sources	\$ 3,201,784	\$ 203,566	\$ 3,405,350	\$ 2,891,818	\$ 2,891,818	\$ 513,532
Intermediate sources	3,252	-	3,252	-	-	3,252
State sources	2,402,092	3,022	2,405,114	2,550,803	2,584,884	(179,770)
Federal sources	124,557	54,452	179,009	129,050	145,524	33,485
Total revenues	<u>5,731,685</u>	<u>261,040</u>	<u>5,992,725</u>	<u>5,571,671</u>	<u>5,622,226</u>	<u>370,499</u>
Expenditures						
Instruction	3,211,678	-	3,211,678	3,366,025	3,366,025	154,347
Support services	1,624,886	-	1,624,886	1,685,603	1,719,684	94,798
Non-instructional programs	1,949	261,872	263,821	256,472	272,946	9,125
Other expenditures	660,860	-	660,860	523,225	868,342	207,482
Total expenditures	<u>5,499,373</u>	<u>261,872</u>	<u>5,761,245</u>	<u>5,831,325</u>	<u>6,226,997</u>	<u>465,752</u>
Excess (deficiency) of revenues over (under) expenditures	232,312	(832)	231,480	(259,654)	(604,771)	836,251
Other financing sources (uses), net	<u>1,135</u>	<u>-</u>	<u>1,135</u>	<u>-</u>	<u>-</u>	<u>1,135</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	233,447	(832)	232,615	(259,654)	(604,771)	837,386
Balance, beginning of year	1,551,981	69,307	1,621,288	1,322,634	1,322,634	298,654
Balance, end of year	<u>\$ 1,785,428</u>	<u>\$ 68,475</u>	<u>\$ 1,853,903</u>	<u>\$ 1,062,980</u>	<u>\$ 717,863</u>	<u>\$ 1,136,040</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2005

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$395,672.

During the year ended June 30, 2005, District expenditures did not exceed the amounts budgeted in any of the four functions or the General fund unspent authorized budget.

Other Supplementary Information

DURANT COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

Schedule 1

	Special Revenue				
	Management	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 36,119	\$ 84,832	\$ 151,129	\$ 10,369	\$ 282,449
Receivables					
Property tax					
Delinquent	1,149	-	1,030	2,154	4,333
Succeeding year	99,421	-	73,734	148,843	321,998
Accounts receivable	3,045	-	-	-	3,045
Total assets	<u>\$ 139,734</u>	<u>\$ 84,832</u>	<u>\$ 225,893</u>	<u>\$ 161,366</u>	<u>\$ 611,825</u>
 LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 236	\$ -	\$ -	\$ -	\$ 236
Deferred revenue					
Succeeding year property tax	99,421	-	73,734	148,843	321,998
Total liabilities	<u>99,657</u>	<u>-</u>	<u>73,734</u>	<u>148,843</u>	<u>322,234</u>
Fund equity					
Reserved for debt service	-	-	-	12,523	12,523
Unreserved fund balances	40,077	84,832	152,159	-	277,068
Total fund equity	<u>40,077</u>	<u>84,832</u>	<u>152,159</u>	<u>12,523</u>	<u>289,591</u>
Total liabilities and fund equity	<u>\$ 139,734</u>	<u>\$ 84,832</u>	<u>\$ 225,893</u>	<u>\$ 161,366</u>	<u>\$ 611,825</u>

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, 2005

Schedule 2

Revenues	Special Revenue				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
Local sources					
Local taxes	\$ 77,849	\$ -	\$ 165,442	\$ 150,182	\$ 393,473
Other	1,319	205,079	1,958	-	208,356
State sources	44	-	38	79	161
Total revenues	79,212	205,079	167,438	150,261	601,990
Expenditures					
Instruction					
Regular program instruction	29,382	-	-	-	29,382
Other instruction	-	201,592	-	-	201,592
Support services					
Instructional staff support services	-	-	13,250	-	13,250
Administration services	11,579	-	-	-	11,579
Operation and maintenance of plant services	21,809	-	13,121	-	34,930
Transportation services	17,042	-	52,639	-	69,681
Non-instructional programs	1,923	-	-	-	1,923
Other expenditures					
Facilities acquisition	-	-	1,200	-	1,200
Long-term debt: Principal	-	-	-	156,964	156,964
Interest and fiscal charges	-	-	-	111,545	111,545
Total expenditures	81,735	201,592	80,210	268,509	632,046
Excess (deficiency) of revenues over (under) expenditures	(2,523)	3,487	87,228	(118,248)	(30,056)
Other financing sources (uses)					
Interfund operating transfers in (out)	-	-	(122,018)	122,018	-
Total other financing sources (uses)	-	-	(122,018)	122,018	-
Net change in fund balances	(2,523)	3,487	(34,790)	3,770	(30,056)
Fund balances, beginning of year	42,600	81,345	186,949	8,753	319,647
Fund balances, end of year	\$ 40,077	\$ 84,832	\$ 152,159	\$ 12,523	\$ 289,591

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, 2005

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	Balance, End of Year
Athletics	\$ 30,766	\$ 69,625	\$ 59,932	\$ 3,425	\$ 43,884
Athletic equipment	5,693	-	2,518	(2,491)	684
Band	7,761	50,441	54,009	(63)	4,130
Class of:					
2004	1,800	38	1,741	8	105
2005	853	117	3,937	3,945	978
2006	102	9,225	4,248	(3,450)	1,629
2007	44	-	25	82	101
2008	439	-	79	(100)	260
Close Up	1,640	11,824	11,724	8	1,748
D club	295	1,132	1,228	(48)	151
Drama	3,315	3,778	5,842	17	1,268
FHA	402	-	-	2	404
F&CS project	109	-	-	1	110
Football camp	774	10,191	7,282	(835)	2,848
High school cheerleading	2,839	6,287	5,336	(978)	2,812
High school dance	-	2,121	2,342	990	769
Interest	380	749	-	(959)	170
Jr high cheerleaders	683	-	-	5	688
Jr high student council	1,726	7,507	8,674	(395)	164
K-8 memory book	3,874	2,114	1,052	(87)	4,849
Kitten camp	1,232	1,341	1,216	7	1,364
Library book club	32	-	-	1	33
NFL	5,027	-	112	24	4,939
National Honor Society	823	264	769	4	322
Outside classroom	631	2,250	318	3	2,566
Physical fitness	198	-	-	1	199
Playground	345	-	-	2	347
Resale	313	5,981	6,025	85	354
Spanish	76	40	-	2	118

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, 2005

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	\$ 2,936	\$ 10,606	\$ 11,154	\$ 160	\$ 2,548
TSA	638	121	-	4	763
Vocal	1,445	1,417	1,218	6	1,650
Volleyball	2,976	2,261	3,235	207	2,209
Boys basketball camp	886	2,905	3,577	-	214
Yearbook	<u>292</u>	<u>2,744</u>	<u>3,999</u>	<u>417</u>	<u>(546)</u>
Totals	<u>\$ 81,345</u>	<u>\$ 205,079</u>	<u>\$ 201,592</u>	<u>\$ -</u>	<u>\$ 84,832</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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 2,300,293	\$ 2,151,453	\$ 2,188,367	\$ 2,137,952
Tuition	569,356	475,576	464,555	431,694
Other	332,135	231,260	241,675	228,749
Intermediate sources	3,252	-	-	-
State sources	2,402,092	2,262,339	2,286,284	2,230,101
Federal sources	124,557	120,666	93,329	89,520
Total revenues	<u>\$ 5,731,685</u>	<u>\$ 5,241,294</u>	<u>\$ 5,274,210</u>	<u>\$ 5,118,016</u>
Expenditures				
Instruction				
Regular instruction	2,141,919	2,198,942	2,031,063	1,986,459
Special instruction	562,300	661,354	587,306	638,636
Other instruction	507,459	351,445	339,762	326,951
Support services				
Student services	209,740	320,468	253,516	235,494
Instructional staff services	178,084	82,419	83,235	90,432
Administration services	483,196	474,882	429,854	437,061
Operation and maintenance of plant services	466,938	422,288	437,087	428,921
Transportation services	285,428	314,280	228,663	179,844
Other support services	1,500	1,550	1,729	315
Non-instructional programs	1,949	1,750	1,722	1,576
Other expenditures				
Facilities acquisition	221,101	55,345	58,060	598,266
Long-term debt				
Principal	156,964	151,343	105,753	100,194
Interest and other charges	111,545	144,382	168,710	175,412
AEA flowthrough	171,250	170,109	180,670	178,293
Total expenditures	<u>\$ 5,499,373</u>	<u>\$ 5,350,557</u>	<u>\$ 4,907,130</u>	<u>\$ 5,377,854</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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

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

To the Board of Education
Durant 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 Durant 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 have issued my report thereon dated October 11, 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 Durant Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 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 11, 2005

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

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

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

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

Conclusion - Response accepted.

- (B) Use of District Federal Identification Number - It was noted that an outside organization is using the District's federal identification number.

Recommendation - The District should take actions to ensure that the District's federal identification number is not used by outside, non-district organizations. These supporting, but separate, organizations should have their own federal identification, rather than using the District's.

Response - We will discuss the situation with the organization to resolve the situation.

Conclusion - Response accepted.

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

Part II. Other Findings Related to Statutory Reporting:

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, 2005.
2. Certified Budget - Expenditures for the year ended June 30, 2005 did not exceed the amended amounts budgeted.
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 or employees 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 variances in the basic enrollment data certified to the Iowa 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.

DURANT COMMUNITY SCHOOL DISTRICT

Audit Staff

June 30, 2005

This audit was performed by

Kay Chapman, CPA

Christina Chamberlin, staff accountant

Tammy Calvert, staff accountant

DURANT COMMUNITY SCHOOL DISTRICT

708 6th AVE. (P.O. BOX 607) • DURANT, IOWA 52747

Phone Number: 563-785-4432

Fax Number: 563-785-4611

NEWS RELEASE

FOR RELEASE:

Kay L. Chapman, CPA PC of Muscatine, Iowa today released an audit report on the Durant Community School District in Durant, Iowa.

The District's revenues totaled \$5,993,860 for the year ended June 30, 2005, a 9 percent increase from the prior year. Revenues included \$2,301,307 in local tax, charges for service of \$1,083,210, operating grants, contributions and restricted interest of \$538,335, unrestricted state grants of \$2,048,026, unrestricted interest of \$19,622 and other general revenues of \$3,360.

Expenses for District operations totaled \$5,561,815, a 1 percent increase from the prior year. Expenses included \$3,213,109 for instruction, \$1,582,203 for support services, \$263,821 for non-instructional programs and \$502,682 for other expenses.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.



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