

DURANT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

DURANT COMMUNITY SCHOOL DISTRICT
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DURANT COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2006

Name	Title	Term Expires
Board of Education		
(Before September 2005 Election)		
Gary Workman	Board President	2006
Sheila Compton	Board Member	2005
Pam Sissel	Board Member	2005
Tami Schmidt	Board Member (appointed April 2005)	2005
Dick Stoltenberg	Board Member (appointed May 2005)	2005
(After September 2005 Election)		
Gary Workman	Board President	2006
Steve Ralfs	Board Member	2007
Cheryl Telsrow	Board Member	2007
Dick Stoltenberg	Board Member	2008
Sheila Compton	Board Member	2008
School Officials		
Dr. James D. Wagner	Superintendent	2006
Lesa Kephart	District Secretary	2006
Philip Keese	District Treasurer	2006
Lane & Waterman	Attorney	2006

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, 2006, 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, 2006, 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 November 21, 2006 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, 2005 (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

Kay L. Chapman, CPA PC
November 21, 2006

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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,813,780 in fiscal 2005 to \$5,194,935 in fiscal 2006, while General Fund expenditures increased from \$4,647,426 in fiscal 2005 to \$5,031,960 in fiscal 2006. The District's General Fund balance increased from \$1,084,949 in fiscal 2005 to \$1,248,424 in fiscal 2006, a 15% increase.
- The District had a decrease in enrollment and the Board of Education adopted a resolution to request the Budget Guarantee for FY06.
- The District received a Scott County Regional Authority Grant in the amount of \$13,321 that was not budgeted for the year.
- The District had a significant reduction in health insurance premiums for the year compared to the prior year.
- This was the first year of Whole Grade Sharing with the Bennett Community School District in grades 7-12. The sharing agreement resulted in an increase in both revenues and expenditures in the General Fund.

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.

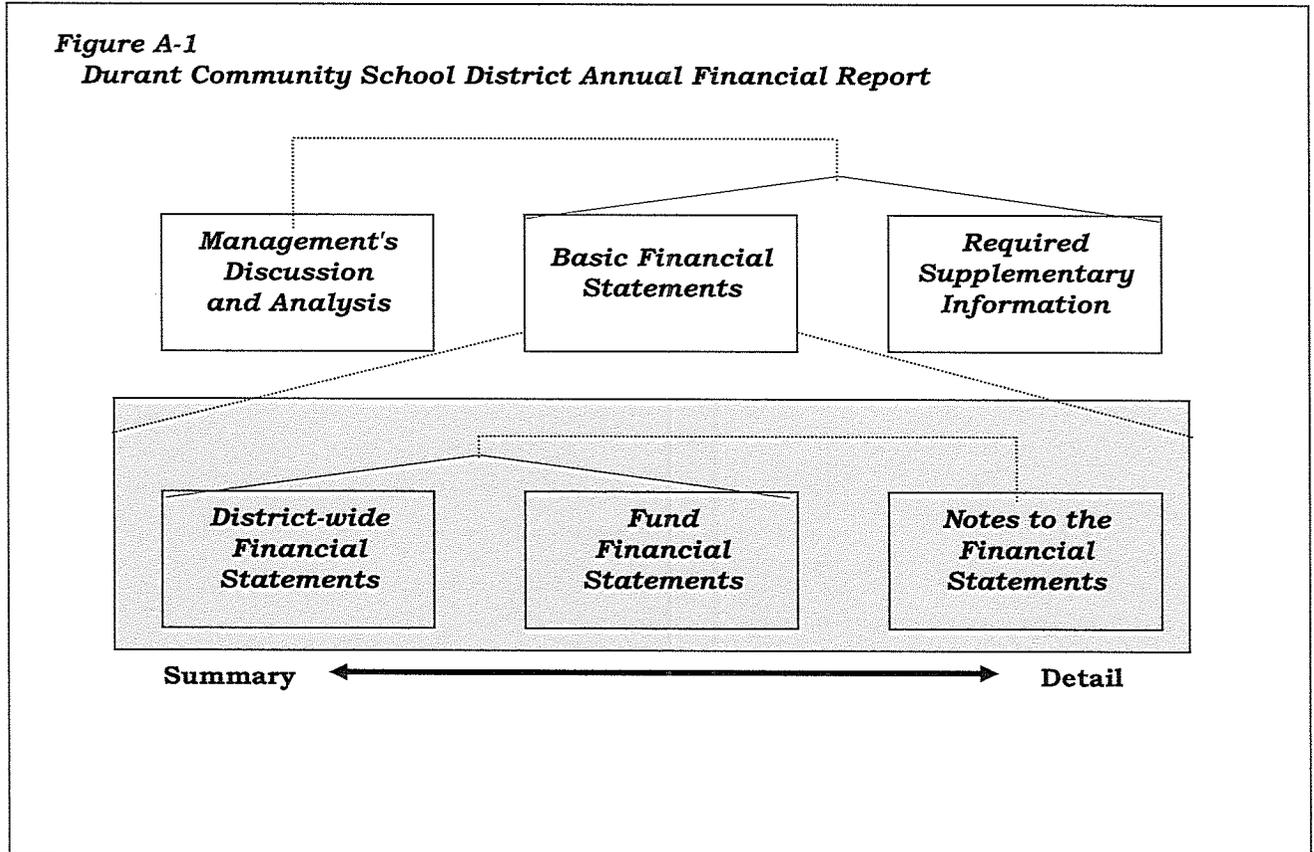


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	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, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Current and other assets	\$ 4,092,609	\$ 3,730,285	\$ 56,540	\$ 57,493	\$ 4,149,149	\$ 3,787,778	9.54%
Capital assets	<u>4,676,211</u>	<u>4,677,171</u>	<u>10,125</u>	<u>10,982</u>	<u>4,686,336</u>	<u>4,688,153</u>	-0.04%
Total assets	<u>8,768,820</u>	<u>8,407,456</u>	<u>66,665</u>	<u>68,475</u>	<u>8,835,485</u>	<u>8,475,931</u>	4.24%
Long-term obligations	2,424,876	2,533,262	-	-	2,424,876	2,533,262	-4.28%
Other liabilities	<u>1,985,201</u>	<u>1,953,656</u>	-	-	<u>1,985,201</u>	<u>1,953,656</u>	1.61%
Total liabilities	<u>4,410,077</u>	<u>4,486,918</u>	-	-	<u>4,410,077</u>	<u>4,486,918</u>	-1.71%
Net assets							
Invested in capital assets, net of related debt	2,304,961	2,176,546	10,125	10,982	2,315,086	2,187,528	5.83%
Restricted	805,358	638,568	-	-	805,358	638,568	26.12%
Unrestricted	<u>1,248,424</u>	<u>1,105,424</u>	<u>56,540</u>	<u>57,493</u>	<u>1,304,964</u>	<u>1,162,917</u>	12.21%
Total net assets	<u>\$ 4,358,743</u>	<u>\$ 3,920,538</u>	<u>\$ 66,665</u>	<u>\$ 68,475</u>	<u>\$ 4,425,408</u>	<u>\$ 3,989,013</u>	10.94%

The District's combined net assets increased by approximately 11%, or \$436,395, 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 \$166,790, or approximately 26% over the prior year. The increase was due to fewer than anticipated purchases in the area of technology and capital projects that were started but not completed in FY06.

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 \$142,047, or approximately 12%. The increase was largely due to reduced spending in the General Fund and grant dollars received that were not anticipated, as well as, Whole Grade Sharing dollars received from the Bennett School District.

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

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues							
Program revenues							
Charges for service and sales	\$ 1,096,699	\$ 879,984	\$ 232,622	\$ 203,226	\$ 1,329,321	\$ 1,083,210	22.72%
Operating grants	507,546	480,861	75,682	57,474	583,228	538,335	8.34%
General revenues							
Property tax	2,083,678	1,988,676	-	-	2,083,678	1,988,676	4.78%
Sales and services tax	329,229	312,631	-	-	329,229	312,631	5.31%
Unrestricted state grants	2,044,153	2,048,026	-	-	2,044,153	2,048,026	-0.19%
Contributions and donations	2,537	1,635	-	-	2,537	1,635	55.17%
Unrestricted investment earnings	35,758	19,282	430	340	36,188	19,622	84.43%
Other	4,664	1,725	-	-	4,664	1,725	170.38%
Gain on disposal of capital assets	500	-	-	-	500	-	100.00%
Total revenues	<u>6,104,764</u>	<u>5,732,820</u>	<u>308,734</u>	<u>261,040</u>	<u>6,413,498</u>	<u>5,993,860</u>	7.00%
Program expenses							
Governmental activities							
Instruction	3,412,542	3,213,109	-	-	3,412,542	3,213,109	6.21%
Support services	1,771,338	1,582,203	-	-	1,771,338	1,582,203	11.95%
Non-instructional programs	516	1,949	310,544	261,872	311,060	263,821	17.91%
Other expenses	<u>486,688</u>	<u>502,682</u>	<u>-</u>	<u>-</u>	<u>486,688</u>	<u>502,682</u>	-3.18%
Total expenses	<u>5,671,084</u>	<u>5,299,943</u>	<u>310,544</u>	<u>261,872</u>	<u>5,981,628</u>	<u>5,561,815</u>	7.55%
Change in net assets	<u>\$ 433,680</u>	<u>\$ 432,877</u>	<u>\$ (1,810)</u>	<u>\$ (832)</u>	<u>\$ 431,870</u>	<u>\$ 432,045</u>	-0.04%

In fiscal 2006, property tax and unrestricted state grants account for 68% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$6,413,498 of which \$6,104,764 was for governmental activities and \$308,734 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7% increase in revenues and a 7.55% increase in expenses. Property tax increased \$95,002 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District. Additional expenses were also incurred as a result of additional staff needs for the Whole Grade Sharing arrangement.

Governmental Activities

Revenues for governmental activities were \$6,104,764 and expenses were \$5,671,084. Revenue exceeded expenditures due to the Whole Grade Sharing arrangement, unfinished capital projects and fewer technology purchases than originally budgeted.

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		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
Instruction	\$ 3,412,542	\$ 3,213,109	6.2%	\$ 1,994,051	\$ 2,030,229	-1.8%
Support services	1,771,338	1,582,203	12.0%	1,758,646	1,575,488	11.6%
Non-instructional programs	516	1,949	-73.5%	516	1,949	-73.5%
Other expenses	<u>486,688</u>	<u>502,682</u>	-3.2%	<u>313,626</u>	<u>331,432</u>	-5.4%
Total expenses	<u>\$ 5,671,084</u>	<u>\$ 5,299,943</u>	7.0%	<u>\$ 4,066,839</u>	<u>\$ 3,939,098</u>	3.2%

- The cost financed by users of the District's programs was \$1,096,699.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$507,546.
- The net cost of governmental activities was financed with \$2,412,907 in property and other taxes and \$2,044,153 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$308,734 representing an 18.3% increase over the prior year and expenses were \$310,544, an 18.6% increase over the prior year. 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 44% of the expenditures and the remaining 56% 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 \$2,124,131, above last year's ending fund balances of \$1,789,953. Reason for increased fund balance include Whole Grade Sharing, unfinished capital projects, fewer technology purchases than anticipated and more revenue from Local Option Sales Tax dollars than originally budgeted.

Governmental Fund Highlights

- The District's improving General Fund balance is the result of many factors. The General Fund balance increased from \$1,084,949 to \$1,248,424, due in part to additional income received for Whole Grade Sharing and grant dollars received.
- The Capital Projects Fund balance increased from \$415,413 in fiscal 2005 to \$525,130 in fiscal 2006. Additional Local Option Sales and Service Tax positively impacted the Capital Projects Fund balance, as well as projects that were not completed by year end.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$68,475 at June 30, 2005 to \$66,665 at June 30, 2006, representing a decrease of approximately 3%. The decrease was due primarily to increased operating costs as well as additional expenses due to extended serving time in the cafeteria required during the lunch hour.

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 and additional anticipated projects in the Capital Projects fund.

The District's receipts were \$151,746 more than budgeted receipts, a variance of approximately 2.4%. 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.

The total expenditures were \$371,487 less than the amended budget. The district cut back in the area of instruction and some capital projects were not completed in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$4,686,336, 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 less than 1% 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 \$234,716.

The original cost of the District's capital assets was \$8,710,550. Governmental funds account for \$8,683,866, with the remainder of \$26,684 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land category. The land category was \$59,907 at June 30, 2005 and increased to \$135,364 at June 30, 2006 due to the purchase of land to be used for future construction projects.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Land	\$ 135,364	\$ 59,907	\$ -	\$ -	\$ 135,364	\$ 59,907	125.96%
Buildings and improvements	4,025,851	4,135,829	-	-	4,025,851	4,135,829	-2.66%
Improvements, other than buildings	186,857	175,235	-	-	186,857	175,235	6.63%
Furniture and equipment	<u>328,139</u>	<u>306,200</u>	<u>10,125</u>	<u>10,982</u>	<u>338,264</u>	<u>317,182</u>	6.65%
Totals	<u>\$4,676,211</u>	<u>\$4,677,171</u>	<u>\$10,125</u>	<u>\$10,982</u>	<u>\$4,686,336</u>	<u>\$4,688,153</u>	-0.04%

Long-Term Debt

At June 30, 2006, the District had \$2,713,626 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 was due to reduction of debt for the 2000 Building Addition Project. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total
	School District		
	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
General obligation bonds	\$ 2,660,000	\$ 2,810,000	-5.34%
Early retirement	<u>53,626</u>	<u>32,637</u>	64.31%
Total	<u>\$ 2,713,626</u>	<u>\$ 2,842,637</u>	-4.54%

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 an increase in certified enrollment during the 2005-2006 school year which should result in increased funds available in the 2006-2007 school year.
- Two major capital projects, parking lot and bus barn, that were started in FY06 will be completed in FY07,
- The District will continue Whole-grade sharing with the Bennett Community School District grades 7-12 in the 2007 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, 2006

Exhibit A

ASSETS	Governmental Activities	Business Type Activities	Total
Cash and cash equivalents	\$ 1,980,775	\$ 46,388	\$ 2,027,163
Receivables			
Property tax			
Delinquent	24,741	-	24,741
Succeeding year	1,852,722	-	1,852,722
Accounts receivable	11,720	-	11,720
Due from other governments	222,651	-	222,651
Inventories	-	10,152	10,152
Capital assets, net of accumulated depreciation	4,676,211	10,125	4,686,336
Total assets	<u>8,768,820</u>	<u>66,665</u>	<u>8,835,485</u>
LIABILITIES			
Accounts payable	100,441	-	100,441
Salaries and benefits payable	12,033	-	12,033
Accrued interest payable	16,723	-	16,723
Deferred revenue - succeeding year property tax	1,852,722	-	1,852,722
Deferred revenue - other	3,282	-	3,282
Long-term liabilities			
Portion due within one year			
Bonds payable	155,000	-	155,000
Early retirement payable	28,754	-	28,754
Portion due after one year			
Bonds payable	2,505,000	-	2,505,000
Unamortized bond premium	(288,750)	-	(288,750)
Early retirement payable	24,872	-	24,872
Total liabilities	<u>4,410,077</u>	<u>-</u>	<u>4,410,077</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,304,961	10,125	2,315,086
Restricted for			
Capital projects	525,130	-	525,130
Management levy	2,558	-	2,558
Physical plant and equipment levy	197,905	-	197,905
Other special revenue purposes	70,150	-	70,150
Debt service	9,615	-	9,615
Unrestricted	1,248,424	56,540	1,304,964
Total net assets	<u>\$ 4,358,743</u>	<u>\$ 66,665</u>	<u>\$ 4,425,408</u>

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

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
<u>Functions/Programs</u>	<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 Business Type Activities</u>	<u>Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 2,380,006	\$ 948,042	\$ 251,250	\$ -	\$ (1,180,714)	\$ -	\$ (1,180,714)
Special instruction	557,397	137,598	76,334	-	(343,465)	-	(343,465)
Other instruction	475,139	-	5,267	-	(469,872)	-	(469,872)
	3,412,542	1,085,640	332,851	-	(1,994,051)	-	(1,994,051)
Support services							
Student services	213,241	-	-	-	(213,241)	-	(213,241)
Instructional staff services	155,533	-	-	-	(155,533)	-	(155,533)
Administration services	574,658	-	-	-	(574,658)	-	(574,658)
Operation and maintenance of plant services	539,142	9,996	-	-	(529,146)	-	(529,146)
Transportation services	288,764	1,063	1,633	-	(286,068)	-	(286,068)
Central support services	-	-	-	-	-	-	-
	1,771,338	11,059	1,633	-	(1,758,646)	-	(1,758,646)
	516	-	-	-	(516)	-	(516)
Non-instructional programs							
Other expenditures							
Facilities acquisition	7,079	-	-	-	(7,079)	-	(7,079)
Long-term debt interest	134,536	-	-	-	(134,536)	-	(134,536)
AEA flowthrough	173,062	-	173,062	-	-	-	-
Depreciation (unallocated) *	172,011	-	-	-	(172,011)	-	(172,011)
	486,688	-	173,062	-	(313,626)	-	(313,626)
Total governmental activities	5,671,084	1,096,699	507,546	-	(4,066,839)	-	(4,066,839)

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

DURANT COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 1,227,706	\$ 406,123	\$ 346,946	\$ 1,980,775
Receivables				
Property tax				
Delinquent	20,747	-	3,994	24,741
Succeeding year	1,544,008	-	308,714	1,852,722
Accounts receivable	11,045	-	675	11,720
Due from other funds	-	25,000	-	25,000
Due from other governments	128,644	94,007	-	222,651
Total assets and other debits	<u>\$ 2,932,150</u>	<u>\$ 525,130</u>	<u>\$ 660,329</u>	<u>\$ 4,117,609</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 99,403	\$ -	\$ 1,038	\$ 100,441
Accrued salary and benefits payable	12,033	-	-	12,033
Due to other fund	25,000	-	-	25,000
Deferred revenue				
Succeeding year property tax	1,544,008	-	308,714	1,852,722
Other	3,282	-	-	3,282
Total liabilities	<u>1,683,726</u>	<u>-</u>	<u>309,752</u>	<u>1,993,478</u>
 Fund balances				
Designated for				
Debt service	-	-	26,338	26,338
Unreserved, undesignated				
Special revenue funds	-	-	324,239	324,239
Governmental	1,248,424	525,130	-	1,773,554
Total fund balances	<u>1,248,424</u>	<u>525,130</u>	<u>350,577</u>	<u>2,124,131</u>
Total liabilities and fund balances	<u>\$ 2,932,150</u>	<u>\$ 525,130</u>	<u>\$ 660,329</u>	<u>\$ 4,117,609</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, 2006

Exhibit D

Total fund balances of governmental funds	\$ 2,124,131
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.	4,676,211
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.	(16,723)
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>(2,424,876)</u>
Net assets of governmental activities	<u>\$ 4,358,743</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, 2006

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 1,657,826	\$ 329,229	\$ 421,540	\$ 2,408,595
Tuition	896,137	-	-	896,137
Other	85,706	5,524	152,340	243,570
Intermediate sources	13,821	-	-	13,821
State sources	2,437,341	-	696	2,438,037
Federal sources	104,104	-	-	104,104
Total revenues	<u>5,194,935</u>	<u>334,753</u>	<u>574,576</u>	<u>6,104,264</u>
Expenditures				
Current				
Instruction				
Regular instruction	2,374,202	-	19,643	2,393,845
Special instruction	562,493	-	-	562,493
Other instruction	317,686	-	157,453	475,139
	<u>3,254,381</u>	<u>-</u>	<u>177,096</u>	<u>3,431,477</u>
Support services				
Student services	213,241	-	-	213,241
Instructional staff services	149,538	-	9,133	158,671
Administration services	522,619	-	13,657	536,276
Operation and maintenance of plant services	502,069	-	33,085	535,154
Transportation services	217,050	-	22,924	239,974
	<u>1,604,517</u>	<u>-</u>	<u>78,799</u>	<u>1,683,316</u>
Non-instructional programs	-	-	516	516
Other expenditures				
Facilities acquisition	-	225,036	1,192	226,228
Long-term debt				
Principal	-	-	150,000	150,000
Interest and fiscal charges	-	-	105,987	105,987
AEA flowthrough	173,062	-	-	173,062
	<u>173,062</u>	<u>225,036</u>	<u>257,179</u>	<u>655,277</u>
Total expenditures	<u>5,031,960</u>	<u>225,036</u>	<u>513,590</u>	<u>5,770,586</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, 2006

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess of revenues over expenditures	\$ 162,975	\$ 109,717	\$ 60,986	\$ 333,678
Other financing sources				
Sale of equipment and materials	500	-	-	500
Net change in fund balances	163,475	109,717	60,986	334,178
Fund balance, beginning of year, as corrected	1,084,949	415,413	289,591	1,789,953
Fund balance, end of year	\$ 1,248,424	\$ 525,130	\$ 350,577	\$ 2,124,131

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, 2006

Exhibit F

Net change in fund balances - total governmental funds \$ 334,178

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	\$ 231,995	
Depreciation expense	<u>(232,955)</u>	(960)

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. 150,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(20,989)
------------------	----------

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. (7,924)

Change in net assets of governmental activities \$ 433,680

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

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2006

Exhibit G

	<u>Nonmajor School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 46,388
Inventories	10,152
Capital assets, net of accumulated depreciation	<u>10,125</u>
Total assets	<u>66,665</u>
 LIABILITIES	
	<u>-</u>
 NET ASSETS	
Invested in capital assets, net of related debt	10,125
Unreserved retained earnings	<u>56,540</u>
Total net assets	<u><u>\$ 66,665</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, 2006

Exhibit H

	<u>Nonmajor School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 232,622</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries	105,029
Benefits	31,285
Purchased services	5,968
Supplies	166,280
Miscellaneous	221
Depreciation	<u>1,761</u>
Total operating expenses	<u>310,544</u>
Operating loss	<u>(77,922)</u>
Non-operating revenue	
Interest income	430
State sources	3,400
Federal sources	<u>72,282</u>
Total non-operating revenue	<u>76,112</u>
Net loss	(1,810)
Net assets, beginning of year	<u>68,475</u>
Net assets, end of year	<u>\$ 66,665</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, 2006

Exhibit I

Nonmajor
School
Nutrition

Cash flows from operating activities	
Cash received from sale of lunches and breakfasts	\$ 232,622
Cash payments to employees for services	(136,314)
Cash payments to suppliers for goods and services	<u>(155,049)</u>
Net cash used in operating activities	<u>(58,741)</u>
Cash flows from non-capital financing activities	
State grants received	3,400
Federal grants received	<u>57,924</u>
Net cash provided by non-capital financing activities	<u>61,324</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(904)</u>
Cash flows from investing activities	
Interest on investments	<u>430</u>
Net increase in cash and cash equivalents	2,109
Cash and cash equivalents, beginning of year	44,279
Cash and cash equivalents, end of year	<u>\$ 46,388</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (77,922)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,761
Commodities used	14,358
Decrease in inventories	<u>3,062</u>
Net cash used in operating activities	<u>\$ (58,741)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2006, the District received \$14,358 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, 2006

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	\$ 13,210
Liabilities	<u> -</u>
Net assets	
Reserved for scholarships	<u>\$ 13,210</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, 2006

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ 149
Contributions and donations	1,000
Total additions	<u>1,149</u>
 Deductions	
Instruction, regular	
Scholarships awarded	500
Support services	
Adminstration services	
Dues and fees	320
Total deductions	<u>820</u>
 Change in net assets	 329
Net assets, beginning of year	<u>12,881</u>
 Net assets, end of year	 <u>\$ 13,210</u>

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

DURANT COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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, 2006. 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, 2006, 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, 2006 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, 2006, the District had no investments.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General	\$ 25,000

The General Fund is repaying the Capital Projects Fund for fire safety grant proceeds which were reported in the General Fund rather than the Capital Projects Fund.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 121,029

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, 2006 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	\$ 75,457	\$ -	\$ 135,364
Capital assets being depreciated:				
Buildings and improvements	7,120,008	39,867	-	7,159,875
Improvements other than buildings	381,451	27,094	-	408,545
Furniture and equipment	890,505	89,577	-	980,082
Total capital assets being depreciated	8,391,964	156,538	-	8,548,502
Less accumulated depreciation for:				
Buildings and improvements	2,984,179	149,845	-	3,134,024
Improvements other than buildings	206,216	15,472	-	221,688
Furniture and equipment	584,305	67,638	-	651,943
Total accumulated depreciation	3,774,700	232,955	-	4,007,655
Total capital assets being depreciated, net	4,617,264	(76,417)	-	4,540,847
Governmental activities capital assets, net	\$ 4,677,171	\$ (960)	\$ -	\$ 4,676,211

Business type activities

Furniture and equipment	\$ 25,780	\$ 904	\$ -	\$ 26,684
Less accumulated depreciation	<u>14,798</u>	<u>1,761</u>	<u>-</u>	<u>16,559</u>
Business type activities capital assets, net	<u>\$ 10,982</u>	<u>\$ (857)</u>	<u>\$ -</u>	<u>\$ 10,125</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 9,909
Special	1,144
Support services	
Administration	1,860
Operation and maintenance of plant	3,988
Transportation	44,043
Unallocated	<u>172,011</u>
Total governmental activities depreciation expense	<u>\$ 232,955</u>

Business type activities

Food services	<u>\$ 1,761</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 2,810,000	\$ -	\$(150,000)	\$ 2,660,000	\$ 155,000
Early retirement	<u>32,637</u>	<u>37,307</u>	<u>(16,318)</u>	<u>53,626</u>	<u>28,754</u>
Totals	<u>\$ 2,842,637</u>	<u>\$ 37,307</u>	<u>\$(166,318)</u>	<u>\$ 2,713,626</u>	<u>\$ 183,754</u>

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, 2006 was \$53,626 and four employees had requested early retirement and were receiving the benefit.

Bonded Indebtedness

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of January 8, 2004			
	Interest Rates	Principal	Interest	Total
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>\$ 2,660,000</u>	<u>\$ 850,760</u>	<u>\$ 3,510,760</u>

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$178,980, \$162,712 and \$159,365 respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$173,062 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Correction of Beginning Balances

During the year ended June 30, 2006 the District discovered errors in the fund balances reported in the prior year for the General Fund and Capital Project Fund. Therefore, the beginning balances have been corrected for the year ended June 30, 2006 as follows:

General Fund	Decreased	\$20,475
Capital Projects Fund	Increased	\$25,000

These corrections also affected the beginning balance of governmental activities reported in the government-wide Statement of Activities, the net effect being an increase of \$4,525.

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, 2006

	Governmental Funds		Proprietary Fund		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$ 3,548,302		\$ 233,052		\$ 3,781,354	\$ 3,329,224	\$ 3,349,758	\$ 431,596
Intermediate sources	13,821		-		13,821	-	-	13,821
State sources	2,438,037		3,400		2,441,437	2,682,213	2,759,782	(318,345)
Federal sources	104,104		72,282		176,386	151,712	151,712	24,674
Total revenues	<u>6,104,264</u>		<u>308,734</u>		<u>6,412,998</u>	<u>6,163,149</u>	<u>6,261,252</u>	<u>151,746</u>
Expenditures								
Instruction	3,431,477		-		3,431,477	3,588,350	3,588,350	156,873
Support services	1,683,316		-		1,683,316	1,636,494	1,714,063	30,747
Non-instructional programs	516		310,544		311,060	322,854	322,854	11,794
Other expenditures	655,277		-		655,277	806,816	827,350	172,073
Total expenditures	<u>5,770,586</u>		<u>310,544</u>		<u>6,081,130</u>	<u>6,354,514</u>	<u>6,452,617</u>	<u>371,487</u>
Excess (deficiency) of revenues over (under) expenditures	333,678		(1,810)		331,868	(191,365)	(191,365)	523,233
Other financing sources, net	500		-		500	-	-	500
Excess (deficiency) of revenues and other financing sources over (under) expenditures	334,178		(1,810)		332,368	(191,365)	(191,365)	523,733
Balance, beginning of year	1,789,953		68,475		1,858,428	1,487,018	1,487,018	371,410
Balance, end of year	<u>\$ 2,124,131</u>		<u>\$ 66,665</u>		<u>\$ 2,190,796</u>	<u>\$ 1,295,653</u>	<u>\$ 1,295,653</u>	<u>\$ 895,143</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2006

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 \$98,103.

During the year ended June 30, 2006, 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, 2006

Schedule 1

	Special Revenue				
	Management	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 54,178	\$ 71,188	\$ 197,083	\$ 24,497	\$ 346,946
Receivables					
Property tax					
Delinquent	1,331	-	822	1,841	3,994
Succeeding year	105,076	-	59,508	144,130	308,714
Accounts receivable	675	-	-	-	675
Total assets	<u>\$161,260</u>	<u>\$ 71,188</u>	<u>\$257,413</u>	<u>\$170,468</u>	<u>\$ 660,329</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 1,038	\$ -	\$ -	\$ 1,038
Deferred revenue					
Succeeding year property tax	105,076	-	59,508	144,130	308,714
Total liabilities	<u>105,076</u>	<u>1,038</u>	<u>59,508</u>	<u>144,130</u>	<u>309,752</u>
Fund Balances					
Reserved for debt service	-	-	-	26,338	26,338
Unreserved	56,184	70,150	197,905	-	324,239
Total fund balances	<u>56,184</u>	<u>70,150</u>	<u>197,905</u>	<u>26,338</u>	<u>350,577</u>
Total liabilities and fund balances	<u>\$161,260</u>	<u>\$ 71,188</u>	<u>\$257,413</u>	<u>\$170,468</u>	<u>\$ 660,329</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, 2006

Schedule 2

Revenues	Special Revenue				Total
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	
Local sources					
Local taxes	\$ 99,454	\$ -	\$ 173,634	\$ 148,452	\$ 421,540
Other	5,462	142,771	4,107	-	152,340
State sources	232	-	143	321	696
Total revenues	105,148	142,771	177,884	148,773	574,576
Expenditures					
Instruction					
Regular program instruction	19,643	-	-	-	19,643
Other instruction	-	157,453	-	-	157,453
Support services					
Instructional staff support services	-	-	9,133	-	9,133
Administration services	12,873	-	784	-	13,657
Operation and maintenance of plant services	33,085	-	-	-	33,085
Transportation services	22,924	-	-	-	22,924
Non-instructional programs	516	-	-	-	516
Other expenditures					
Facilities acquisition	-	-	1,192	-	1,192
Long-term debt: Principal	-	-	-	150,000	150,000
Interest and fiscal charges	-	-	-	105,987	105,987
Total expenditures	89,041	157,453	11,109	255,987	513,590
Excess (deficiency) of revenues over (under) expenditures	16,107	(14,682)	166,775	(107,214)	60,986
Other financing sources (uses)					
Interfund operating transfers in (out)	-	-	(121,029)	121,029	-
Total other financing sources (uses)	-	-	(121,029)	121,029	-
Net change in fund balances	16,107	(14,682)	45,746	13,815	60,986
Fund balances, beginning of year	40,077	84,832	152,159	12,523	289,591
Fund balances, end of year	\$ 56,184	\$ 70,150	\$ 197,905	\$ 26,338	\$ 350,577

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, 2006

Schedule 3

Account	Balance, Beginning of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	Balance, End of <u>Year</u>
Athletics	\$ 38,847	\$ 76,720	\$ 77,398	\$ 2,374	\$ 40,543
Athletic equipment	6,981	-	2,683	46	4,344
Band	4,089	6,064	6,204	60	4,009
Boys basketball camp	214	6,413	6,566	5	66
Class of:					
2004	105	-	108	3	-
2005	978	-	530	4	452
2006	1,304	278	860	(438)	284
2007	101	10,286	9,932	463	918
2008	260	181	100	2	343
Close Up	1,748	-	627	12	1,133
D club	151	-	50	3	104
Drama	1,268	3,067	3,513	18	840
FHA	404	-	407	3	-
F&CS project	110	-	111	1	-
Football camp	2,725	5,797	6,344	(1,982)	196
High school cheerleading	2,812	2,160	3,155	324	2,141
High school dance	769	547	617	307	1,006
Student council	2,548	9,365	13,367	22	(1,432)
Interest	663	982	-	(663)	982
Jr high cheerleaders	688	500	-	(596)	592
Jr high student council	164	2,403	2,585	5	(13)
K-8 memory book	4,849	2,150	4,608	26	2,417
Kitten camp	103	-	-	2	105
Library book club	33	-	-	-	33
NFL	4,939	559	2,516	33	3,015
National Honor Society	322	183	166	(87)	252
Outside classroom	2,566	-	1,929	17	654
Physical fitness	199	-	-	1	200
Playground	347	-	178	2	171
Resale	354	2,429	2,462	5	326
Spanish	118	-	1	1	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, 2006

Schedule 3

Account	Balance, Beginning of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	Balance, End of <u>Year</u>
TSA	\$ 760	\$ 275	\$ 870	\$ 5	\$ 170
Vocal	1,650	5,029	3,412	11	3,278
Volleyball	2,209	5,373	5,134	9	2,457
Yearbook	<u>(546)</u>	<u>2,010</u>	<u>1,020</u>	<u>2</u>	<u>446</u>
Totals	<u>\$ 84,832</u>	<u>\$ 142,771</u>	<u>\$ 157,453</u>	<u>\$ -</u>	<u>\$ 70,150</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>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Local sources				
Local tax	\$ 2,408,595	\$ 2,300,293	\$ 2,151,453	\$ 2,188,367
Tuition	896,137	569,356	475,576	464,555
Other	243,570	332,135	231,260	241,675
Intermediate sources	13,821	3,252	-	-
State sources	2,438,037	2,402,092	2,262,339	2,286,284
Federal sources	104,104	124,557	120,666	93,329
Total revenues	<u>\$ 6,104,264</u>	<u>\$ 5,731,685</u>	<u>\$ 5,241,294</u>	<u>\$ 5,274,210</u>
Expenditures				
Instruction				
Regular instruction	2,393,845	2,141,919	2,198,942	2,031,063
Special instruction	562,493	562,300	661,354	587,306
Other instruction	475,139	507,459	351,445	339,762
Support services				
Student services	213,241	209,740	320,468	253,516
Instructional staff services	158,671	178,084	82,419	83,235
Administration services	536,276	483,196	474,882	429,854
Operation and maintenance of plant services	535,154	466,938	422,288	437,087
Transportation services	239,974	285,428	314,280	228,663
Other support services	-	1,500	1,550	1,729
Non-instructional programs	516	1,949	1,750	1,722
Other expenditures				
Facilities acquisition	226,228	221,101	55,345	58,060
Long-term debt				
Principal	150,000	156,964	151,343	105,753
Interest and other charges	105,987	111,545	144,382	168,710
AEA flowthrough	173,062	171,250	170,109	180,670
Total expenditures	<u>\$ 5,770,586</u>	<u>\$ 5,499,373</u>	<u>\$ 5,350,557</u>	<u>\$ 4,907,130</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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated November 21, 2006. 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, 2006 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

Kay L. Chapman, CPA PC
November 21, 2006

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

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. I noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion - Response accepted.

- B. General Long-term Asset Accounting - The amounts reported on the Certified Annual Report for the General Long-term Assets Account Group was not correct. The amount reported did not include the cost of land purchased during the year ended June 30, 2006.

Recommendation - The District should correct the amount reported for Land and Land Improvements on the balance sheet of the Long-term Assets Account Group on the subsequent year CAR.

Response - We will correct the amount reported on our CAR for the year ending June 30, 2007, as recommended

Conclusion - Response accepted.

DURANT COMMUNITY SCHOOL DISTRICT
 Schedule of Findings
 For the Year Ended June 30, 2006

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2006 did not exceed the amended amounts budgeted.
2. 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.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - Business transactions between the District and District officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Gary Workman, board president owner of Workman Industries, Inc.	repairs	\$ 81

The transactions with Board President Workman's business do not appear to represent a conflict of interest since the total did not exceed \$2,500 for the fiscal year, as allowed by Chapter 279.7A of the Code of Iowa.

Recommendation - The District should review expenditures annually to ensure that there are no conflicts of interest and that are transactions with board members or other related parties are in accordance with the Code of Iowa.

Response - We will review the situation.

Conclusion - Response accepted.

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was 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, 2006

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant