

DURANT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

DURANT COMMUNITY SCHOOL DISTRICT

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DURANT COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2007

Name	Title	Term Expires
Board of Education		
(Before September 2006 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
(After September 2006 Election)		
Dick Stoltenberg	Board President	2008
Steve Ralfs	Board Member	2007
Cheryl Telsrow	Board Member	2007
Sheila Compton	Board Member	2008
Brian Fargo	Board Member	2009
School Officials		
Duane Bark	Superintendent	2007
Lesla Kephart	District Secretary	2007
Philip Keese	District Treasurer	2007
Lane & Waterman	Attorney	2007

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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 4, 2008 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 41 through 42 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. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2007, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 4, 2008

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,194,935 in fiscal 2006 to \$5,432,956 in fiscal 2007, while General Fund expenditures increased from \$5,031,960 in fiscal 2006 to \$5,333,921 in fiscal 2007. The District's General Fund balance increased from \$1,248,424 in fiscal 2006 to \$1,349,373 in fiscal 2007, an 8% increase.
- The District had an increase in prior year enrollment which resulted in additional funding in the General Fund.
- The District received additional grant funding of more than \$30,000, as well as, \$60,000 additional Local Option Sales Tax dollars from Cedar County.
- The District received a 0% premium increase for health insurance for the year.
- This was the second 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.
- Two major projects, bus barn addition and expansion and resurfacing of the parking lot, were completed during the year.

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.

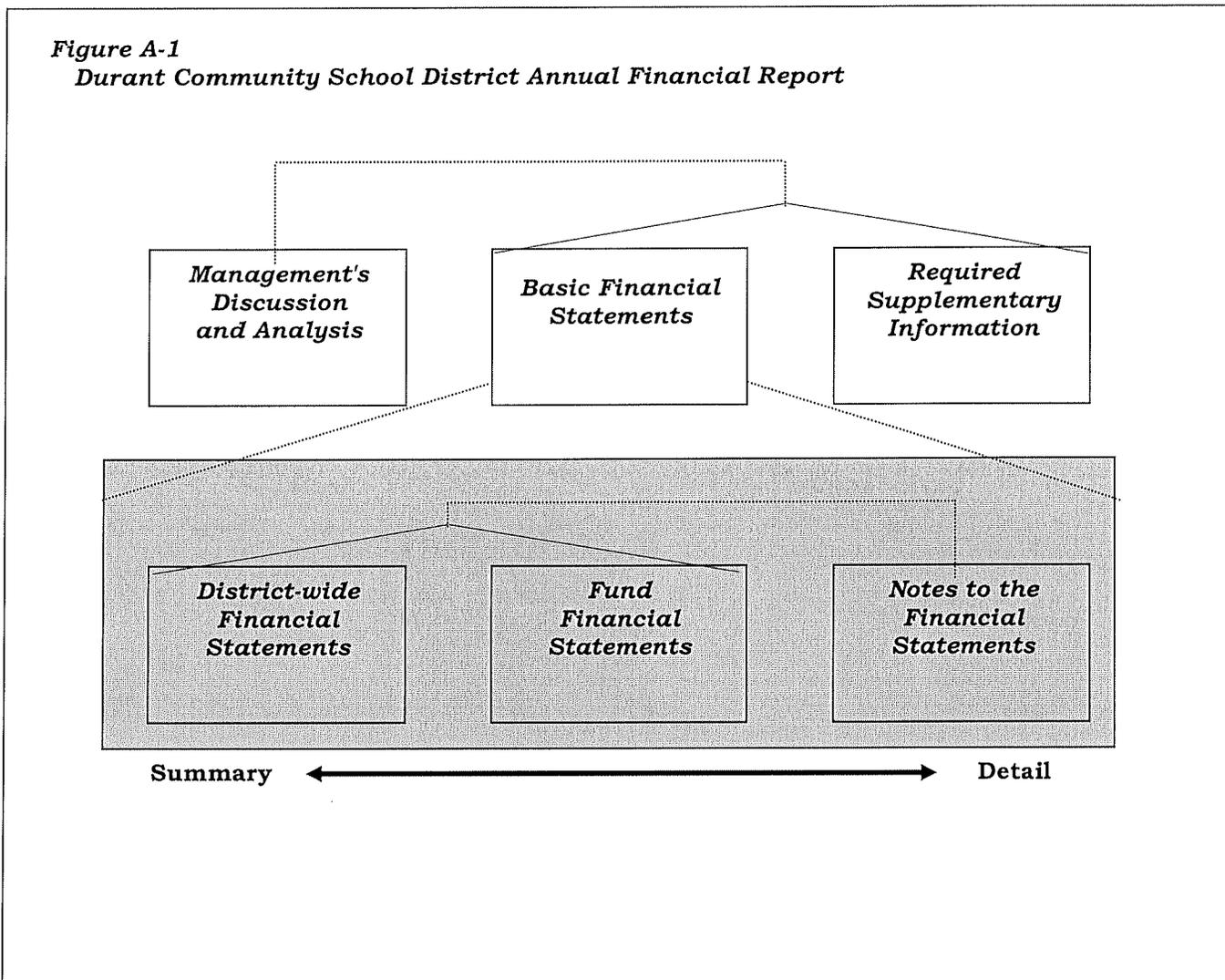


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$ 4,444,588	\$ 4,092,609	\$ 56,376	\$ 56,540	\$ 4,500,964	\$ 4,149,149	8.48%
Capital assets	<u>4,957,835</u>	<u>4,676,211</u>	<u>15,812</u>	<u>10,125</u>	<u>4,973,647</u>	<u>4,686,336</u>	6.13%
Total assets	<u>9,402,423</u>	<u>8,768,820</u>	<u>72,188</u>	<u>66,665</u>	<u>9,474,611</u>	<u>8,835,485</u>	7.23%
Long-term obligations	2,384,664	2,424,876	-	-	2,384,664	2,424,876	-1.66%
Other liabilities	<u>2,214,264</u>	<u>1,985,201</u>	-	-	<u>2,214,264</u>	<u>1,985,201</u>	11.54%
Total liabilities	<u>4,598,928</u>	<u>4,410,077</u>	-	-	<u>4,598,928</u>	<u>4,410,077</u>	4.28%
Net assets							
Invested in capital assets, net of related debt	2,336,376	2,304,961	15,812	10,125	2,352,188	2,315,086	1.60%
Restricted	651,462	805,358	-	-	651,462	805,358	-19.11%
Unrestricted	<u>1,815,657</u>	<u>1,248,424</u>	<u>56,376</u>	<u>56,540</u>	<u>1,872,033</u>	<u>1,304,964</u>	43.45%
Total net assets	<u>\$ 4,803,495</u>	<u>\$ 4,358,743</u>	<u>\$ 72,188</u>	<u>\$ 66,665</u>	<u>\$ 4,875,683</u>	<u>\$ 4,425,408</u>	10.17%

The District's combined net assets increased by approximately 10%, or \$450,275, 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 decreased \$153,896, or approximately 19% from the prior year. The decrease was the result of spending down carry-over balances in federal programs as well as completion of capital projects, bus barn and the expansion and resurfacing of the parking lot.

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 \$567,069, or approximately 43%. The increase was largely due to reduced spending in the General Fund and receiving grant dollars that were not anticipated.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues							
Program revenues							
Charges for service and sales	\$ 1,185,311	\$ 1,096,699	\$ 231,229	\$ 232,622	\$ 1,416,540	\$ 1,329,321	6.56%
Operating grants	593,582	507,546	82,592	75,682	676,174	583,228	15.94%
General revenues							
Property tax	2,295,510	2,083,678	-	-	2,295,510	2,083,678	10.17%
Sales and services tax	384,608	329,229	-	-	384,608	329,229	16.82%
Unrestricted state grants	2,160,022	2,044,153	-	-	2,160,022	2,044,153	5.67%
Contributions and donations	14,952	2,537	-	-	14,952	2,537	489.36%
Unrestricted investment earnings	44,470	35,758	462	430	44,932	36,188	24.16%
Other	11,323	4,664	-	-	11,323	4,664	142.77%
Gain on disposal of capital assets	-	500	-	-	-	500	-100.00%
Total revenues	6,689,778	6,104,764	314,283	308,734	7,004,061	6,413,498	9.21%
Program expenses							
Governmental activities							
Instruction	3,715,036	3,412,542	-	-	3,715,036	3,412,542	8.86%
Support services	1,869,466	1,771,338	-	-	1,869,466	1,771,338	5.54%
Non-instructional programs	726	516	308,396	310,544	309,122	311,060	-0.62%
Other expenses	659,798	486,688	-	-	659,798	486,688	35.57%
Total expenses	6,245,026	5,671,084	308,396	310,544	6,553,422	5,981,628	9.56%
Change in net assets	\$ 444,752	\$ 433,680	\$ 5,887	\$ (1,810)	\$ 450,639	\$ 431,870	4.35%

In fiscal 2007, property tax and unrestricted state grants account for 66% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$7,004,061 of which \$6,689,778 was for governmental activities and \$314,283 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9% increase in revenues and a 10% increase in expenses. Property tax increased \$211,832 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.

Governmental Activities

Revenues for governmental activities were \$6,689,778 and expenses were \$6,245,026. District attempts to reduce spending and increase grant writing and awards are reflected as savings to the District.

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		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$ 3,715,036	\$ 3,412,542	8.9%	\$ 2,137,910	\$ 1,994,051	7.2%
Support services	1,869,466	1,771,338	5.5%	1,856,540	1,758,646	5.6%
Non-instructional programs	726	516	40.7%	726	516	40.7%
Other expenses	<u>659,798</u>	<u>486,688</u>	35.6%	<u>470,957</u>	<u>313,626</u>	50.2%
Total expenses	<u>\$ 6,245,026</u>	<u>\$ 5,671,084</u>	10.1%	<u>\$ 4,466,133</u>	<u>\$ 4,066,839</u>	9.8%

- The cost financed by users of the District's programs was \$1,185,311.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$593,582.
- The net cost of governmental activities was financed with \$2,680,118 in property and other taxes and \$2,160,022 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$314,283 representing a 1% increase over the prior year and expenses were \$308,396, a less than 1% decrease from 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 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 \$2,030,241, below last year's ending fund balances of \$2,124,131. Reasons for decreased fund balance include completed major capital projects, additional technology purchases in the area of computers and copiers, and higher utility costs.

Governmental Fund Highlights

- The District's improving General Fund balance is the result of many factors. The General Fund balance increased from \$1,248,424 to \$1,349,373, due in part to additional income received for increased enrollment and the district's attempts to reduce spending as well as additional grant funds received.
- The Capital Projects Fund balance decreased from \$525,130 in fiscal 2006 to \$329,364 in fiscal 2007. The decrease was a result of two major projects completed, the bus barn and the expansion and re-surfacing of the parking lot.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$66,301 at June 30, 2006 to \$72,188 at June 30, 2007, representing an increase of approximately 8%. The increase was due primarily to the purchase of a new steamer unit, which was added to the equipment asset.

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 revenues were \$348,524 more than budgeted revenues, a variance of approximately 5%. 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 \$227,043 less than the amended budget. The district cut back in the area of instruction.

In spite of the District's budgetary practice, the certified budget was exceeded in the Other Expenditures functional area due to the timing of expenditures for construction projects at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$4,973,647, 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 6% over 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 \$250,357.

The original cost of the District's capital assets was \$9,174,399. Governmental funds account for \$9,139,549, with the remainder of \$34,850 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The improvements other than buildings category was \$186,857 at June 30, 2006 and increased to \$386,643 at June 30, 2007 due to the expansion and re-surfacing of the parking lot and the bus barn addition.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Land	\$ 135,364	\$ 135,364	\$ -	\$ -	\$ 135,364	\$ 135,364	0.00%
Buildings and improvements	4,011,972	4,025,851	-	-	4,011,972	4,025,851	-0.34%
Improvements, other than buildings	386,643	186,857	-	-	386,643	186,857	106.92%
Furniture and equipment	<u>423,856</u>	<u>328,139</u>	<u>15,812</u>	<u>10,125</u>	<u>439,668</u>	<u>338,264</u>	29.98%
Totals	<u>\$4,957,835</u>	<u>\$4,676,211</u>	<u>\$15,812</u>	<u>\$10,125</u>	<u>\$4,973,647</u>	<u>\$4,686,336</u>	6.13%

Long-Term Debt

At June 30, 2007, the District had \$2,652,789 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 2% 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 5 to the financial statements.

During the 2007 fiscal year, the District entered into loan agreements with a local bank to purchase copiers and computers. These loans had outstanding balances of \$116,459 at June 30, 2007.

Figure A-7

Outstanding Long-term Obligations

	Total		Total
	School District		Change
	2007	2006	2006-2007
General obligation bonds	\$ 2,505,000	\$ 2,660,000	-5.83%
Bank loans	116,459	-	100.00%
Early retirement	31,330	53,626	-41.58%
Total	<u>\$ 2,652,789</u>	<u>\$ 2,713,626</u>	-2.24%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District experienced a slight increase in certified enrollment during the 2006-2007 school year which should result in increased funds available in the 2007-2008 school year.
- The District will continue whole grade sharing with the Bennett Community School District for grades 7-12 in the 2008 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, 2007

Exhibit A

Assets	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$1,944,747	\$ 43,800	\$1,988,547
Receivables			
Property tax			
Delinquent	24,909	-	24,909
Succeeding year	1,960,242	-	1,960,242
Accounts receivable	8,448	-	8,448
Income surtax	214,142	-	214,142
Due from other governments	292,100	-	292,100
Inventories	-	12,576	12,576
Non-depreciable capital assets	135,364	-	135,364
Capital assets, net of accumulated depreciation	<u>4,822,471</u>	<u>15,812</u>	<u>4,838,283</u>
Total assets	<u>9,402,423</u>	<u>72,188</u>	<u>9,474,611</u>
Liabilities			
Accounts payable	233,319	-	233,319
Salaries and benefits payable	2,448	-	2,448
Accrued interest payable	17,143	-	17,143
Due to other governments	1,112	-	1,112
Deferred revenue			
Succeeding year property tax	1,960,242	-	1,960,242
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	155,000	-	155,000
Notes payable	35,999	-	35,999
Early retirement payable	10,443	-	10,443
Portion due after one year			
General obligation bonds payable	2,350,000	-	2,350,000
Unamortized bond discount	(268,125)	-	(268,125)
Notes payable	80,460	-	80,460
Early retirement payable	<u>20,887</u>	<u>-</u>	<u>20,887</u>
Total liabilities	<u>4,598,928</u>	<u>-</u>	<u>4,598,928</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$2,336,376	\$ 15,812	\$2,352,188
Restricted for			
Vocational state aid	314	-	314
Phase I	309	-	309
Phase II	584	-	584
Market Factor Pay	4,829	-	4,829
Teacher Quality program	2,429	-	2,429
Talented and Gifted program	10,602	-	10,602
Management levy	35,896	-	35,896
Physical plant and equipment levy	180,658	-	180,658
Debt service	9,358	-	9,358
Other special revenue purposes	77,119	-	77,119
Capital projects	329,364	-	329,364
Unrestricted	<u>1,815,657</u>	<u>56,376</u>	<u>1,872,033</u>
Total net assets	<u>\$4,803,495</u>	<u>\$ 72,188</u>	<u>\$4,875,683</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

<u>Functions/Programs</u> Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	<u>Expenses</u> for Services	Charges and Restricted Interest	Contributions and Restricted Interest	Governmental Activities	Business Type Activities	<u>Total</u>
Governmental activities						
Instruction						
Regular instruction	\$ 2,600,867	\$1,045,711	\$ 286,345	\$(1,268,811)	-	\$(1,268,811)
Special instruction	549,680	127,048	112,916	(309,716)	-	(309,716)
Other instruction	564,489	-	5,106	(559,383)	-	(559,383)
	<u>3,715,036</u>	<u>1,172,759</u>	<u>404,367</u>	<u>(2,137,910)</u>	<u>-</u>	<u>(2,137,910)</u>
Support services						
Student	198,309	-	-	(198,309)	-	(198,309)
Instructional staff	253,443	-	-	(253,443)	-	(253,443)
Administration	582,963	-	-	(582,963)	-	(582,963)
Operation and maintenance of plant	558,701	10,360	-	(548,341)	-	(548,341)
Transportation	276,050	2,192	374	(273,484)	-	(273,484)
	<u>1,869,466</u>	<u>12,552</u>	<u>374</u>	<u>(1,856,540)</u>	<u>-</u>	<u>(1,856,540)</u>
Non-instructional programs	<u>726</u>	<u>-</u>	<u>-</u>	<u>(726)</u>	<u>-</u>	<u>(726)</u>
Other expenditures						
Facilities acquisition	171,052	-	-	(171,052)	-	(171,052)
Long-term debt interest	123,359	-	-	(123,359)	-	(123,359)
AEA flowthrough	188,841	-	188,841	-	-	-
Depreciation (unallocated) *	176,546	-	-	(176,546)	-	(176,546)
	<u>659,798</u>	<u>-</u>	<u>188,841</u>	<u>(470,957)</u>	<u>-</u>	<u>(470,957)</u>
Total governmental activities	<u>6,245,026</u>	<u>1,185,311</u>	<u>593,582</u>	<u>(4,466,133)</u>	<u>-</u>	<u>(4,466,133)</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

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	Primary Government	Total
<u>Functions/Programs (continued)</u>					
Primary Government (continued)					
Business type activities					
Non-instructional programs	\$ 308,396	\$ 231,229	\$ 82,592	\$ -	\$ 5,425
Food service operations	\$ 6,553,422	\$ 1,416,540	\$ 676,174	\$ -	(4,466,133)
Total primary government				\$ 5,425	(4,460,708)
<u>General Revenues</u>					
Property tax levied for					
General purposes					1,984,109
Debt service					145,260
Capital outlay					166,141
Local option sales and services tax					384,608
Unrestricted state grants					2,160,022
Contributions and donations					14,952
Unrestricted investment earnings				44,470	44,932
Other				11,323	11,323
Total general revenues				462	4,911,347
Change in net assets				5,887	450,639
Net assets, beginning of year, as restated				66,301	4,425,044
Net assets, end of year				\$ 72,188	\$ 4,875,683

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

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2007

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$1,215,844	\$313,169	\$415,734	\$1,944,747
Receivables				
Property tax				
Delinquent	20,935	-	3,974	24,909
Succeeding year	1,655,572	-	304,670	1,960,242
Accounts receivable	7,848	-	600	8,448
Income surtax	107,071	-	107,071	214,142
Due from other governments	178,651	113,449	-	292,100
Total assets	<u>\$3,185,921</u>	<u>\$426,618</u>	<u>\$832,049</u>	<u>\$4,444,588</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 67,261	\$ 97,254	\$ 68,804	\$ 233,319
Salaries and benefits payable	2,448	-	-	2,448
Due to other governments	1,112	-	-	1,112
Deferred revenue				
Succeeding year property tax	1,655,572	-	304,670	1,960,242
Income surtax	107,071	-	107,071	214,142
Other	3,084	-	-	3,084
Total liabilities	<u>1,836,548</u>	<u>97,254</u>	<u>480,545</u>	<u>2,414,347</u>
Fund balances				
Reserved for				
Talented and gifted program	10,602	-	-	10,602
Teacher quality program	1,010	-	-	1,010
Teacher quality basic allocation	1,077	-	-	1,077
Teacher quality additional funding	342	-	-	342
Teacher quality market factor	4,829	-	-	4,829
Phase I	309	-	-	309
Phase II	584	-	-	584
Vocational state aid	314	-	-	314
Debt service	-	-	26,501	26,501
Unreserved, governmental funds	1,330,306	329,364	-	1,659,670
Unreserved, special revenue funds	-	-	325,003	325,003
Total fund balances	<u>1,349,373</u>	<u>329,364</u>	<u>351,504</u>	<u>2,030,241</u>
Total liabilities and fund balances	<u>\$3,185,921</u>	<u>\$426,618</u>	<u>\$832,049</u>	<u>\$4,444,588</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Exhibit D

Total fund balances of governmental funds	\$2,030,241
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.	4,957,835
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	217,226
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.	(17,143)
Unamortized bond discount on refunding is not available to pay current period expenditures and, therefore, are not reported as assets in the governmental funds.	268,125
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,652,789)</u>
Net assets of governmental activities	<u>\$4,803,495</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$1,663,164	\$ 384,608	\$417,201	\$2,464,973
Tuition	918,904	-	-	918,904
Other	99,527	11,892	223,821	335,240
Intermediate sources	27,303	-	-	27,303
State sources	2,618,303	-	160	2,618,463
Federal sources	105,755	-	-	105,755
Total revenues	<u>5,432,956</u>	<u>396,500</u>	<u>641,182</u>	<u>6,470,638</u>
Expenditures				
Current				
Instruction				
Regular	2,579,508	-	22,265	2,601,773
Special	548,432	-	-	548,432
Other	360,575	-	203,914	564,489
	<u>3,488,515</u>	<u>-</u>	<u>226,179</u>	<u>3,714,694</u>
Support services				
Student	198,309	-	-	198,309
Instructional staff	169,310	81,360	-	250,670
Administration	556,034	53,192	27,927	637,153
Operation and maintenance of plant	526,049	-	35,980	562,029
Transportation	206,863	-	88,278	295,141
	<u>1,656,565</u>	<u>134,552</u>	<u>152,185</u>	<u>1,943,302</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>726</u>	<u>726</u>
Other expenditures				
Facilities acquisition	-	572,596	5,428	578,024
Long-term debt				
Principal	-	-	171,293	171,293
Interest and fiscal charges	-	-	102,314	102,314
AEA flowthrough	188,841	-	-	188,841
	<u>188,841</u>	<u>572,596</u>	<u>279,035</u>	<u>1,040,472</u>
Total expenditures	<u>5,333,921</u>	<u>707,148</u>	<u>658,125</u>	<u>6,699,194</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 99,035	\$(310,648)	\$ (16,943)	\$ (228,556)
Other financing sources (uses)				
Sale of equipment and materials	1,914	-	-	1,914
Proceeds of loans	-	132,752	-	132,752
Interfund operating transfers in	-	-	128,510	128,510
Interfund operating transfers (out)	-	(17,870)	(110,640)	(128,510)
Total other financing sources	<u>1,914</u>	<u>114,882</u>	<u>17,870</u>	<u>134,666</u>
Net change in fund balances	100,949	(195,766)	927	(93,890)
Fund balance, beginning of year	<u>1,248,424</u>	<u>525,130</u>	<u>350,577</u>	<u>2,124,131</u>
Fund balance, end of year	<u>\$1,349,373</u>	<u>\$ 329,364</u>	<u>\$351,504</u>	<u>\$2,030,241</u>

See notes to financial statements.

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, 2007

Exhibit F

Net change in fund balances - total governmental funds \$ (93,890)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 529,502	
Depreciation expense	<u>(247,878)</u>	281,624

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 217,226

Amortization of the discount on bond refunding did not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. However, the annual amortization is reported as an expenditure in the Statement of Activities. (20,625)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	\$(132,752)	
Repaid	<u>171,293</u>	38,541

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

Early retirement		22,296
------------------	--	--------

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.

Change in net assets of governmental activities \$444,752

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2007

Exhibit G

	Business Type <u>Activities</u> Nonmajor School <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 43,800
Inventories	12,576
Capital assets, net of accumulated depreciation	<u>15,812</u>
Total assets	<u>72,188</u>
 Liabilities	
	<u>-</u>
 Net Assets	
Invested in capital assets	15,812
Unrestricted	<u>56,376</u>
Total net assets	<u><u>\$ 72,188</u></u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

Exhibit H

	Business Type <u>Activities</u>
	<u>Nonmajor School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$231,229</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	112,993
Benefits	32,550
Purchased services	6,247
Supplies	154,069
Miscellaneous	58
Depreciation	<u>2,479</u>
Total operating expenses	<u>308,396</u>
Operating loss	<u>(77,167)</u>
Non-operating revenues	
Interest income	462
State sources	3,187
Federal sources	<u>79,405</u>
Total non-operating revenues	<u>83,054</u>
Net income	5,887
Net assets, beginning of year, as restated	<u>66,301</u>
Net assets, end of year	<u>\$ 72,188</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

Exhibit I

	Business Type <u>Activities</u> Nonmajor School <u>Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 231,229
Cash payments to employees for services	(145,543)
Cash payments to suppliers for goods and services	<u>(148,859)</u>
Net cash used in operating activities	<u>(63,173)</u>
Cash flows from non-capital financing activities	
State grants received	3,187
Federal grants received	<u>65,102</u>
Net cash provided by non-capital financing activities	<u>68,289</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(8,166)</u>
Cash flows from investing activities	
Interest on investments	<u>462</u>
Net decrease in cash and cash equivalents	(2,588)
Cash and cash equivalents, beginning of year	<u>46,388</u>
Cash and cash equivalents, end of year	<u>\$ 43,800</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (77,167)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,479
Commodities used	14,303
Increase in inventory	<u>(2,788)</u>
Net cash used in operating activities	<u>\$ (63,173)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2007, the District received \$14,303 of federal commodities.

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	\$ 13,385
Liabilities	<u> -</u>
Net assets	
Reserved for scholarships	<u>\$ 13,385</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2007

Exhibit K

	Private Purpose Trust <hr style="border: 0.5px solid black;"/> Scholarships
Additions	
Local sources	
Interest	\$ 175
Deductions	<hr style="border: 0.5px solid black;"/> -
Change in net assets	175
Net assets, beginning of year	<hr style="border: 0.5px solid black;"/> 13,210
Net assets, end of year	<hr style="border: 0.5px solid black;"/> <u>\$ 13,385</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, 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 twelve months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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

Salaries and Benefits Payable – Payroll and related expenditures for hourly employees' hours worked in June, not paid until July, have been accrued as liabilities.

Early Retirement Termination Benefits - 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, 2007. 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 unspent federal grant proceeds as well as property tax and income surtax 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 Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$35,896 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the Other Expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 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, 2007, the District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Fund	Transfers In	Transfers Out
Capital Projects Fund	\$ -	\$ 17,870
Non-major governmental funds	<u>128,510</u>	<u>110,640</u>
Total	<u>\$ 128,510</u>	<u>\$ 128,510</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from Capital Projects Fund and Physical Plant and Equipment Levy Fund to the Debt Service Fund were for payments of principal and interest on the District's debt.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	<u>\$ 135,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,364</u>
Capital assets being depreciated:				
Buildings and improvements	7,159,875	136,667	-	7,296,542
Improvements other than buildings	408,545	223,346	-	631,891
Furniture and equipment	<u>980,082</u>	<u>169,489</u>	<u>(73,819)</u>	<u>1,075,752</u>
Total capital assets being depreciated	<u>8,548,502</u>	<u>529,502</u>	<u>(73,819)</u>	<u>9,004,185</u>
Less accumulated depreciation for:				
Buildings and improvements	3,134,024	150,546	-	3,284,570
Improvements other than buildings	221,688	23,560	-	245,248
Furniture and equipment	<u>651,943</u>	<u>73,772</u>	<u>(73,819)</u>	<u>651,896</u>
Total accumulated depreciation	<u>4,007,655</u>	<u>247,878</u>	<u>(73,819)</u>	<u>4,181,714</u>
Total capital assets being depreciated, net	<u>4,540,847</u>	<u>281,624</u>	<u>-</u>	<u>4,822,471</u>
Governmental activities capital assets, net	<u>\$ 4,676,211</u>	<u>\$ 281,624</u>	<u>\$ -</u>	<u>\$ 4,957,835</u>

Business type activities

Furniture and equipment	\$ 26,684	\$ 8,166	\$ -	\$ 34,850
Less accumulated depreciation	<u>16,559</u>	<u>2,479</u>	<u>-</u>	<u>19,038</u>
Business type activities capital assets, net	<u>\$ 10,125</u>	<u>\$ 5,687</u>	<u>\$ -</u>	<u>\$ 15,812</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 10,666
Special	1,248
Support services	
Instructional staff	2,773
Administration	1,689
Operation and maintenance of plant	4,322
Transportation	50,634
Unallocated	<u>176,546</u>
Total governmental activities depreciation expense	<u>\$ 247,878</u>

Business type activities

Food services	<u>\$ 2,479</u>
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Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 2,660,000	\$ -	\$(155,000)	\$ 2,505,000	\$ 155,000
Bank loans	-	132,752	(16,293)	116,459	35,999
Early retirement	<u>53,626</u>	<u>7,415</u>	<u>(29,711)</u>	<u>31,330</u>	<u>10,443</u>
Totals	<u>\$ 2,713,626</u>	<u>\$ 140,167</u>	<u>\$(201,004)</u>	<u>\$ 2,652,789</u>	<u>\$ 201,442</u>

Interest costs incurred and charged to expense on all long-term debt was \$123,359 for the year ended June 30, 2007.

Early Retirement Termination Benefits

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, 2007 was \$31,330 and one employee was receiving the benefit.

General Obligation Bonds

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of January 8, 2004			
	Interest Rates	Principal	Interest	Total
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
2013-2017	3.8-4.0%	985,000	265,205	1,250,205
2018-2020	4.1-4.3%	<u>695,000</u>	<u>59,505</u>	<u>754,505</u>
Totals		<u>\$ 2,505,000</u>	<u>\$ 750,423</u>	<u>\$ 3,255,423</u>

Bank Loans

During the year ended June 30, 2007, the District entered into loans with Liberty Trust and Savings Bank to provide funds to purchase copiers and computers. The computer loan is dated October 8, 2006 and bears interest at 5%. Payments of \$7,576.93, including interest, are due quarterly beginning January 8, 2007. The copier loan is dated January 3, 2007 and bears interest at 5%. Payments of \$2,715.08, including interest, are due quarterly beginning April 8, 2007. Both loans are payable from the Capital Projects Fund. Details of the District's indebtedness under these loans are as follows:

Year Ending June 30,	Computer Loan Dated 10-8-06				Copier Loan Dated 1-3-07			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2008	5.00	\$ 27,265	\$ 3,042	\$ 30,307	5.00	\$ 8,734	\$ 2,126	\$ 10,860
2009	5.00	28,661	1,646	30,307	5.00	9,184	1,676	10,860
2010	5.00	14,875	280	15,155	5.00	9,652	1,208	10,860
2011	5.00	-	-	-	5.00	10,143	717	10,860
2012	5.00	-	-	-	5.00	7,945	200	8,145
Totals		<u>\$ 70,801</u>	<u>\$ 4,968</u>	<u>\$ 75,769</u>		<u>\$ 45,658</u>	<u>\$ 5,927</u>	<u>\$ 51,585</u>

Year Ending June 30,	Totals		
	Principal	Interest	Total
2008	\$ 35,999	\$ 5,168	\$ 41,167
2009	37,845	3,322	41,167
2010	24,527	1,488	26,015
2011	10,143	717	10,860
2012	7,945	200	8,145
Totals	<u>\$ 116,459</u>	<u>\$ 10,895</u>	<u>\$ 127,354</u>

In a prior fiscal year, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable escrow account held by a fiscal agent to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2007, \$2,325,000 of bonds outstanding are considered defeased.

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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$191,250, \$178,980 and \$162,712 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 \$188,841 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 10. Subsequent Event

The District will begin operating a preschool program in the fiscal year ending June 30, 2008. Preschool services will be offered to children four and five years of age. This program will be recorded in the District's accounting records as part of the General Fund.

Note 11. Restate Beginning Balance

During the year ended June 30, 2007 errors relating to prior year School Nutrition net assets were discovered. Therefore the beginning net assets of the School Nutrition Fund and the Business Type Activities were decreased by \$364 for the year ended June 30, 2007.

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, 2007

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$3,719,117		\$231,691		\$3,950,808	\$3,416,698	\$3,416,698	\$ 534,110
Intermediate sources	27,303		-		27,303	-	-	27,303
State sources	2,618,463		3,187		2,621,650	2,861,587	2,861,587	(239,937)
Federal sources	105,755		79,405		185,160	158,112	158,112	27,048
Total revenues	<u>6,470,638</u>		<u>314,283</u>		<u>6,784,921</u>	<u>6,436,397</u>	<u>6,436,397</u>	<u>348,524</u>
Expenditures								
Instruction	3,714,694		-		3,714,694	3,598,086	3,900,000	185,306
Support services	1,943,302		-		1,943,302	1,825,547	2,060,000	116,698
Non-instructional programs	726		308,396		309,122	329,633	329,633	20,511
Other expenditures	1,040,472		-		1,040,472	854,396	945,000	(95,472)
Total expenditures	<u>6,699,194</u>		<u>308,396</u>		<u>7,007,590</u>	<u>6,607,662</u>	<u>7,234,633</u>	<u>227,043</u>
Excess (deficiency) of revenues over (under) expenditures	(228,556)		5,887		(222,669)	(171,265)	(798,236)	575,567
Net other financing sources	<u>134,666</u>		-		<u>134,666</u>	-	-	<u>134,666</u>
Net change in fund balance	(93,890)		5,887		(88,003)	(171,265)	(798,236)	710,233
Balance, beginning of year, as restated	2,124,131		66,301		2,190,432	1,791,450	1,791,450	398,982
Balance, end of year	<u>\$2,030,241</u>		<u>\$ 72,188</u>		<u>\$2,102,429</u>	<u>\$1,620,185</u>	<u>\$ 993,214</u>	<u>\$1,109,215</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust 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. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budget expenditures by \$626,971.

During the year ended June 30, 2007, District expenditures exceeded the amount budgeted in the Other Expenditures function; however, General Fund expenditures did not exceed the District's unspent authorized budget.

Other Supplementary Information

DURANT COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Schedule 1

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Debt	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u> </u>
Assets					
Cash and pooled investments	\$134,006	\$77,119	\$179,913	\$ 24,696	\$415,734
Receivables					
Property tax					
Delinquent	1,424	-	745	1,805	3,974
Succeeding year	104,259	-	63,943	136,468	304,670
Accounts receivable	600	-	-	-	600
Income surtax	-	-	107,071	-	107,071
Total assets	<u>\$240,289</u>	<u>\$77,119</u>	<u>\$351,672</u>	<u>\$162,969</u>	<u>\$832,049</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 68,804	\$ -	\$ -	\$ -	\$ 68,804
Deferred revenue					
Succeeding year property tax	104,259	-	63,943	136,468	304,670
Income surtax	-	-	107,071	-	107,071
Total liabilities	<u>173,063</u>	<u>-</u>	<u>171,014</u>	<u>136,468</u>	<u>480,545</u>
Fund balances					
Reserved for debt service	-	-	-	26,501	26,501
Unreserved fund balances	67,226	77,119	180,658	-	325,003
Total fund balances	<u>67,226</u>	<u>77,119</u>	<u>180,658</u>	<u>26,501</u>	<u>351,504</u>
Total liabilities and fund balances	<u>\$240,289</u>	<u>\$77,119</u>	<u>\$351,672</u>	<u>\$162,969</u>	<u>\$832,049</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, 2007

Schedule 2

Revenues	Special Revenue				Total
	Management	Student	Physical Plant and Equipment	Debt	
Local sources	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	
Local taxes	\$105,905	\$ -	\$166,109	\$145,187	\$417,201
Other	7,628	210,883	5,310	-	223,821
State sources	<u>57</u>	<u>-</u>	<u>30</u>	<u>73</u>	<u>160</u>
Total revenues	<u>113,590</u>	<u>210,883</u>	<u>171,449</u>	<u>145,260</u>	<u>641,182</u>
Expenditures					
Current					
Instruction					
Regular	22,265	-	-	-	22,265
Other	-	203,914	-	-	203,914
Total instruction	<u>22,265</u>	<u>203,914</u>	<u>-</u>	<u>-</u>	<u>226,179</u>
Support services					
Administration	27,927	-	-	-	27,927
Operation and maintenance of plant	28,330	-	7,650	-	35,980
Transportation	23,300	-	64,978	-	88,278
Total support services	<u>79,557</u>	<u>-</u>	<u>72,628</u>	<u>-</u>	<u>152,185</u>
Non-instructional programs	<u>726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>726</u>
Other expenditures					
Facilities acquisition	-	-	5,428	-	5,428
Long-term debt					
Principal	-	-	-	171,293	171,293
Interest and fiscal charges	-	-	-	102,314	102,314
Total other expenditures	<u>-</u>	<u>-</u>	<u>5,428</u>	<u>273,607</u>	<u>279,035</u>
Total expenditures	<u>102,548</u>	<u>203,914</u>	<u>78,056</u>	<u>273,607</u>	<u>658,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,042</u>	<u>6,969</u>	<u>93,393</u>	<u>(128,347)</u>	<u>(16,943)</u>
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	128,510	128,510
Interfund operating transfers (out)	-	-	(110,640)	-	(110,640)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(110,640)</u>	<u>128,510</u>	<u>17,870</u>
Net change in fund balances	11,042	6,969	(17,247)	163	927
Fund balances, beginning of year	56,184	70,150	197,905	26,338	350,577
Fund balances, end of year	<u>\$ 67,226</u>	<u>\$77,119</u>	<u>\$180,658</u>	<u>\$ 26,501</u>	<u>\$351,504</u>

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, 2007

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Athletics	\$ 40,543	\$ 75,856	\$ 71,333	\$ (4,331)	\$ 40,735
Athletic equipment	4,344	-	291	4,055	8,108
Band	4,009	30,467	34,332	17	161
Boys basketball camp	66	7,037	6,600	10	513
Class of:					
2005	452	-	452	-	-
2006	284	-	-	7	291
2007	918	-	37	8	889
2008	343	14,634	12,475	24	2,526
2009	-	-	-	3	3
Close Up	1,133	219	233	15	1,134
D club	104	-	-	1	105
Drama	840	4,932	4,514	12	1,270
Football camp	196	8,226	9,211	8	(781)
High school cheerleading	2,141	1,954	4,126	530	499
High school dance	1,006	425	8	11	1,434
Student council	(1,432)	4,080	1,659	25	1,014
Interest	982	1,131	1,036	(94)	983
Jr high cheerleaders	592	-	-	(495)	97
Jr high student council	(13)	2,541	2,034	6	500
K-8 memory book	2,417	3,192	1,087	48	4,570
Kitten camp	105	660	486	1	280
Library book club	33	-	-	-	33
NFL	3,015	538	3,459	45	139
National Honor Society	252	202	225	3	232
Outside classroom	654	973	1,381	20	266
Physical fitness	200	-	-	2	202
Playground	171	-	-	3	174
Resale	326	38,200	38,272	6	260
Spanish	118	-	-	2	120
TSA	170	-	-	8	178
Vocal	3,278	4,194	5,504	33	2,001
Volleyball	2,457	2,189	3,348	15	1,313
Yearbook	446	9,233	1,811	2	7,870
Totals	<u>\$ 70,150</u>	<u>\$ 210,883</u>	<u>\$ 203,914</u>	<u>\$ -</u>	<u>\$ 77,119</u>

See accompanying Independent Auditor's Report.

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

Schedule 4

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues				
Local sources				
Local tax	\$2,464,973	\$2,408,595	\$2,300,293	\$2,151,453
Tuition	918,904	896,137	569,356	475,576
Other	335,240	243,570	332,135	231,260
Intermediate sources	27,303	13,821	3,252	-
State sources	2,618,463	2,438,037	2,402,092	2,262,339
Federal sources	105,755	104,104	124,557	120,666
Total revenues	<u>\$6,470,638</u>	<u>\$6,104,264</u>	<u>\$5,731,685</u>	<u>\$5,241,294</u>
Expenditures				
Current				
Instruction				
Regular	\$2,601,773	\$2,393,845	\$2,141,919	\$2,198,942
Special	548,432	562,493	562,300	661,354
Other	564,489	475,139	507,459	351,445
Support services				
Student	198,309	213,241	209,740	320,468
Instructional staff	250,670	158,671	178,084	82,419
Administration	637,153	536,276	483,196	474,882
Operation and maintenance of plant	562,029	535,154	466,938	422,288
Transportation	295,141	239,974	285,428	314,280
Other support services			1,500	1,550
Non-instructional programs	726	516	1,949	1,750
Other expenditures				
Facilities acquisition	578,024	226,228	221,101	55,345
Long-term debt				
Principal	171,293	150,000	156,964	151,343
Interest and other charges	102,314	105,987	111,545	144,382
AEA flowthrough	188,841	173,062	171,250	170,109
Total expenditures	<u>\$6,699,194</u>	<u>\$5,770,586</u>	<u>\$5,499,373</u>	<u>\$5,350,557</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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 4, 2008. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Durant Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Durant Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Durant Community School District's ability to initiate, authorize, record process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Durant Community School District's financial statements that is more than inconsequential will not be prevented or detected by Durant Community

School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Durant Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items A, B and C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, 2007 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.

Durant Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions in the District's responses, I did not audit Durant Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Durant Community School District and other parties to whom Durant Community School 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
March 4, 2008

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual 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. Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires the business manager or district management to possess sufficient knowledge and expertise to select and apply appropriate accounting principles and prepare year-end financial statements, including footnote disclosures. Although the business manager has a good working knowledge of GAAP accounting, she does not have current comprehensive knowledge of the footnote disclosure requirements of GAAP financial statements. In essence, this means that the business manager would not necessarily detect a misstatement (error) in the financial statements or footnote disclosures, including omitted required disclosures, in the financial statements prepared by the auditor. This is a common situation in small entities where accounting personnel typically either do not have four-year accounting degrees and/or do not receive annual training in order to stay current on new accounting and reporting standards and requirements. However, the business manager is quite capable of performing her day-to-day duties and the CAR in compliance with the Department of Education requirements.

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Recommendation - Although the business manager attends trainings each year to keep current on various accounting changes affecting schools, this training does not cover information about the footnote disclosures required by GAAP. The district should consider having the business manager take courses annually to stay current on the changes to GAAP accounting, reporting and disclosure requirements so that she is able to prepare the year-end financial statements and footnote disclosures.

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosures in compliance with GAAP, as prepared by the auditor. We will investigate alternatives to our controls, but believe that it would not be an efficient use of District funds to get the necessary training for the business manager to comply with this recommendation.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered a material misstatement on the District's Certified Annual Report (CAR) that was not detected by the District's internal controls. The CAR omitted a \$93,200 accounts payable in the Capital Projects Fund for payment for construction work performed in June.

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

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

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the amended amount budgeted in the Other Expenditures function.

Recommendation - The District should ensure that the certified budget is amended in sufficient amounts to cover expenditures in all subsequent years.

DURANT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

For the Year Ended June 30, 2007

Response - The budget was exceeded due to the timing of expenditures related to building projects. It is hard to estimate the amount of work that will be done before year-end on building projects. We will be more attentive of this in the future.

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, I noted one significant deficiency in the amounts reported. The Capital Projects Fund omitted \$93,200 of accounts payable and the corresponding expenditures.

Recommendation - The District should correct the beginning balance of the Capital Projects Fund on the CAR for the year ending June 30, 2008 to account for this error.

Response - We will correct our FY08 CAR as recommended.

Conclusion - Response accepted.

DURANT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

10. Competitive Bidding Requirements - The District did not comply with Chapters 26.2 through 26.13 of the Code of Iowa regarding competitive bid requirements for public improvements with estimated total cost exceeding \$100,000. The District did not hold a public hearing, publicize for sealed bids or have an engineer involved in the public improvement project.

Recommendation - The District should review the competitive bid requirements in the Code of Iowa and ensure that they comply with the applicable requirements on all future public improvement projects.

Response - We were not aware that the competitive bid requirements were applicable to this project. We will review the requirements and be more attentive of this in the future.

Conclusion - Response accepted.

DURANT COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2007

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant