

BURLINGTON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Linda Garwood	President	2003
Joseph Poisel	Vice President	2003
Tom Greene	Board Member	2005
Melanie Richardson	Board Member	2005
Don Brandt	Board Member	2004
Joseph Abrisz	Board Member (Resigned)	2004
Forrest Krummel	Board Member (Appointed/Elected)	2004
Thomas Courtney	Board Member (Resigned)	2003
Steven Hoth	Board Member (Appointed)	2003
Board of Education (After September 2003 Election)		
Joseph Poisel	President	2006
Linda Garwood	Vice President	2006
Don Brandt	Board Member	2004
Forrest Krummel	Board Member	2004
Tom Greene	Board Member	2005
Melanie Richardson	Board Member	2005
Donald Harter	Board Member	2006
School Officials		
Mike Book	Superintendent	2004
Chris Van Meter	District Secretary/Treasurer and Business Manager	2004
Sue Sietz	Attorney	2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Burlington Community School District:

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

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we 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. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with Government Auditing Standards, we have also issued our reports dated October 19, 2004 on our consideration of the Burlington Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

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presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Burlington Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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 our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

October 19, 2004

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2004

As management of the Burlington Community School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net assets of governmental activities increased \$432,357. This is primarily due to the increase in net capital assets during the year of \$7.0 million.
- General revenues accounted for \$32.6 million of the government-wide revenue, or 81.0% percent of all fiscal year 2004 revenues. Program specific revenues in the form of charges for services and grants, and contributions accounted for \$7.6 million or 19.0% percent of total fiscal year 2004 revenues.
- The District had approximately \$39.8 million in expenses related to governmental activities; of which \$7.6 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$32.6 million provided for the remaining costs of these programs.
- On Friday, September 10, 2003, Governor Vilsack ordered a 2.5% across-the board (ATB) reduction of all state spending. This reduction applied to state aid and all other state funding to schools districts. The ATB reduced Burlington's state aid by \$441,000 and all other categorical funding by \$44,000.
- The State of Iowa Department of Revenue and Finance reached a three-year property settlement with Interstate Power and Light Company for excessive valuation of utilities. Des Moines County reduced the district's property tax askings by \$59,1336.34 (\$52,061.41 general fund) for the 1st year of this settlement.
- The amount of dropout prevention property taxes certified by the district on its FY04 budget was reduced from \$561,908 to \$300,017 by the Iowa Department of Management to equal the amount requested of and approved by the School Budget Review Committee (SBRC). It was the district's intent to levy the \$561,908. The amount officially requested for allowable growth (property taxes) was \$300,017. Once approved, the amount requested is the maximum amount that can be levied in local property taxes.
- The General Fund had \$32.5 million in fiscal year 2004 revenues, which primarily consisted of state aid and property taxes, and \$33.7 million in expenditures. The General Fund's fund balance decreased from \$5.7 million as of June 30, 2003 to \$4.5 million as of June 30, 2004, due primarily a mid-year across-the-board cut to state aid, a reduction in property taxes due to a court settlement on property valuations, and an unplanned reduction in property taxes for dropout prevention.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 16.6% to 13.5%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2004

- The District's total debt increased by \$5,475,539 during the current fiscal year, due mainly to a new issuance of sales tax revenue bonds. The total outstanding at the end of the fiscal year is \$10,926,270.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, operation of non-instructional services, and capital construction. The business-type activities of the District include food services, childcare services, home remodeling, automotive, and a wellness center.

The government-wide financial statements can be found on pages 16 to 18 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

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doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

The District maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects, both of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

Proprietary funds. Proprietary funds are used to account for activities that are the same as private business activities. Proprietary funds are reported in the same manner as the government-wide 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 has one enterprise fund: School Nutrition. The basic proprietary fund financial statements can be found on pages 23 to 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 34 of this report.

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Management's Discussion and Analysis

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Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as instruction, administration, and building maintenance	Activities the District operates similar to private businesses such as school nutrition and childcare	Activities in which the District administers resources on behalf of someone else, such as scholarships
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenue, Expenses, and Changes in Fund Net Assets Statement of Cash Flows	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 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, and short-term and long-term	All assets and liabilities, both short-term and long-term
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 within specified periods after year end of the year; expenditures when goods or services are received and liability is due and payable	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

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2004

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided as required supplementary information. The required supplementary information can be found on page 35 to 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$35.4 million as of June 30, 2004.

A large portion of the District's net assets (84.6%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government-wide statements also include \$10.9 million in long-term liabilities (see Note 5 on page 33 to 34); including revenue bonds, QZAB bonds, revenue bans, early retirement and compensated absences.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

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The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2004 (in thousands).

	Government Activities		Business - Type Activities		Total	
	2003	2004	2003	2004	2003	2004
Current assets	\$ 24,218	24,227	152	89	24,370	24,316
Capital assets, net	32,357	39,351	137	136	32,494	39,487
Total assets	56,575	63,578	289	225	56,864	63,803
Current liabilities	16,153	17,248	123	71	16,276	17,319
Long-term liabilities	5,451	10,926	—	—	5,451	10,926
Total liabilities	21,604	28,174	123	71	21,727	28,245
Net assets:						
Invested in capital assets, net of related debt	31,601	29,953	137	136	31,738	30,089
Restricted	2,217	2,512	—	—	2,217	2,512
Unrestricted	1,153	2,939	29	19	1,182	2,958
Total net assets	\$ 34,971	35,404	166	155	35,137	35,559

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

The net addition of \$7.0 million in capital assets through capital construction, other school improvements, and purchases of furniture, equipment and vehicles.

The net increase in long-term liabilities of \$5.5 million mainly due to the issuance of \$5,000,000 in Sales Tax Revenue Bond Anticipation Notes.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2004 were \$40.2 million. The total cost of all programs and services was \$39.8 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2004 (in thousands).

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2004

	Government Activities		Business- Type Activities		Total	
	2003	2004	2003	2004	2003	2004
Revenues:						
Program revenues:						
Charges for services	\$ 1,692	1,679	644	605	2,336	2,284
Operating grants and contributions	4,859	4,489	804	867	5,663	5,356
General revenues:						
Property taxes	10,645	10,534	—	—	10,645	10,534
Sales tax, capital projects	4,004	3,904	—	—	4,004	3,904
Unrestricted investment earnings	193	107	—	—	193	107
Unrestricted state grants	18,696	18,059	—	—	18,696	18,059
Other	20	(22)	1	1	21	(21)
Total revenues	40,109	38,750	1,449	1,473	41,558	40,223
Expenses:						
Instructional	24,348	26,515	—	—	24,348	26,515
Support services:						
Student services	937	963	—	—	937	963
Instructional staff services	826	899	—	—	826	899
Administration services	2,550	2,526	—	—	2,550	2,526
Operation and maintenance of plant services	2,877	2,805	—	—	2,877	2,805
Transportation services	670	741	—	—	670	741
Central support services	181	187	—	—	181	187
Non-instructional programs	467	448	1,437	1,484	1,904	1,932
Other expenditures:						
Facilities acquisitions	2,138	785	—	—	2,138	785
Long-term debt interest	244	290	—	—	244	290
AEA flowthrough	1,506	1,399	—	—	1,506	1,399
Depreciation(unallocated)	609	759	—	—	609	759
Total expenses	37,353	38,317	1,437	1,484	38,790	39,801
Excess before transfers	2,756	433	12	(11)	2,768	422
Transfers	—	—	—	—	—	—
Change in net assets	2,756	433	12	(11)	2,768	422
Beginning net assets	32,215	34,971	154	166	32,369	35,137
Ending net assets	\$ 34,971	35,404	166	155	35,137	35,559

Governmental Activities

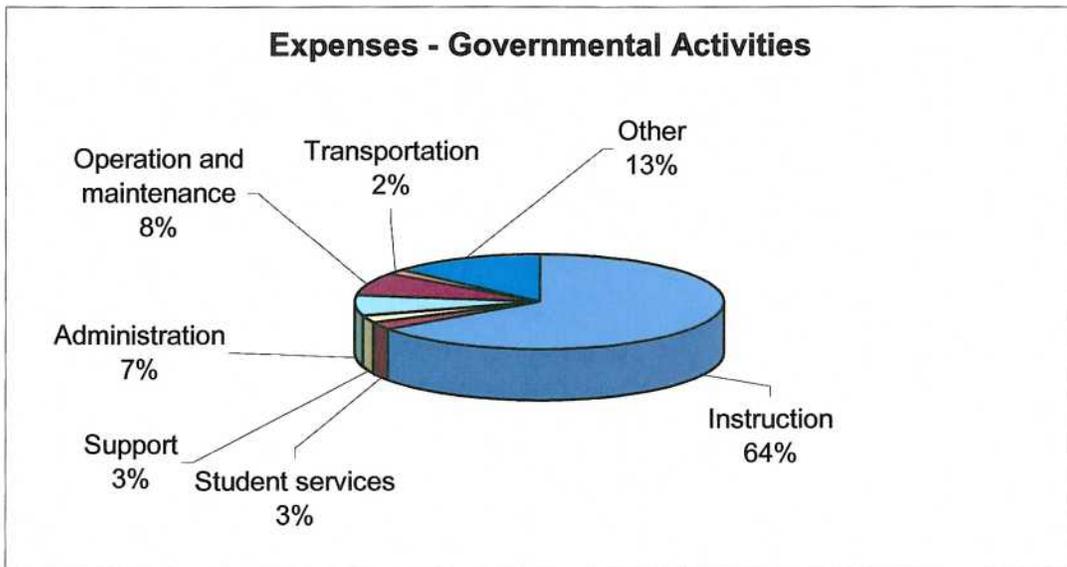
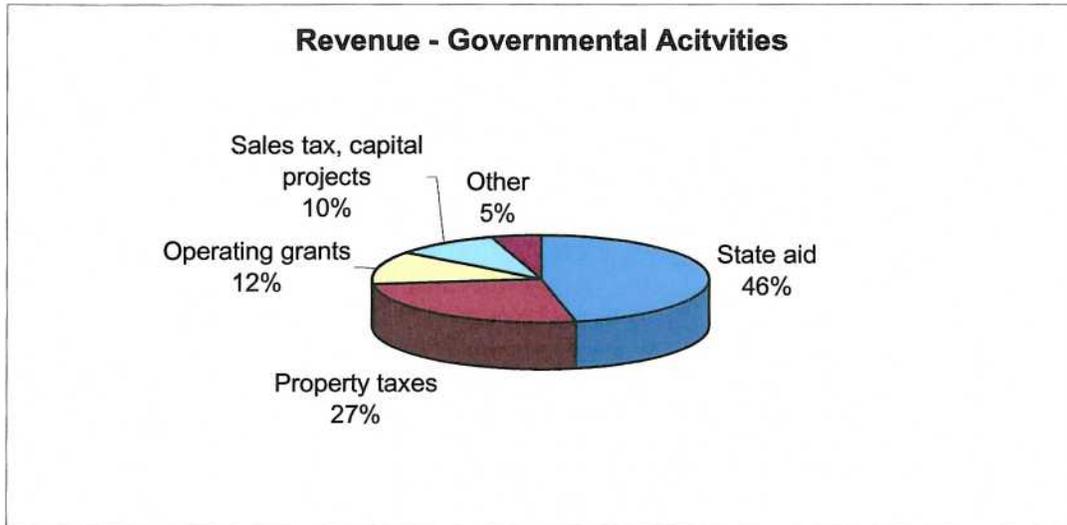
Unrestricted state grants, property taxes, and sales tax are the primary sources of revenue for the District. Sales tax revenue was \$200,000 less than the estimate established by the District due mostly to the downturn in the economy. Economic conditions also caused shortfalls in the budget for the State of Iowa.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

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Instruction constitutes the largest portion of expenditures at \$26.5 million or 64%. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for 7% of total costs. Over 80% of the District's expenditures are salaries and benefits.



BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

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The following table presents the cost of the District's functional activities (in thousands). The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	Total Expenses			Net (Expense) Revenue		
	2003	2004	% Change	2003	2004	% Change
Instructional	\$ 24,348	26,515	8.90%	(19,412)	(21,810)	12.35%
Support services:						
Student services	937	963	2.79%	(916)	(963)	5.11%
Instructional staff services	826	899	8.77%	(800)	(880)	9.98%
Administration services	2,550	2,526	-0.96%	(2,550)	(2,526)	-0.96%
Operation and maintenance	2,877	2,805	-2.53%	(2,865)	(2,791)	-2.55%
Transportation services	670	741	10.64%	(621)	(710)	14.33%
Central support services	181	187	3.49%	(181)	(187)	3.49%
Non-instructional programs	467	448	-4.07%	(467)	(448)	-4.07%
Other expenditures:						
Facilities acquisitions	2,138	785	-63.27%	(2,138)	(785)	-63.27%
Long-term debt interest	244	290	18.73%	(244)	(290)	18.73%
AEA flowthrough	1,506	1,399	-7.11%	—	—	—
Depreciation(unallocated)	609	759	24.77%	(609)	(759)	24.77%
Total expenses	\$ 37,353	38,317	2.58%	(30,803)	(32,149)	4.37%

- The cost of all governmental activities this year was \$38.3 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$6.2 million.
- Net cost of governmental activities (\$32.1 million), was financed by general revenues, which are made up of primarily property and sales tax (\$14.4 million) and state aid (\$18.1 million). Investment earnings, sale of equipment and miscellaneous sources accounted for \$.1 million.

Business-type Activities

Revenues of the District's business-type activities were \$1,473,096 and expenses were \$1,483,838. 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 sale of equipment.

The School Nutrition primary expenses are staff and commodities. The District's free and reduced participation increased during fiscal year, again due to the poor economy. The School Nutrition fund had a change in net assets of \$10,742 for fiscal year 2004.

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FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,210,573 due primarily a mid-year across-the-board cut to state aid, a reduction in property taxes due to a court settlement on property valuations, and an unplanned reduction in property taxes for dropout prevention. The General Fund balance is reserved or designated to indicate that it is not available for spending because it has already been committed as follows:

- \$50,096 for Medicaid Administrative Claiming Reserve
- \$23,304 for Gifted and Talented Carryover
- \$1,158 for Teacher Compensation Carryover
- \$5,964 for Early Intervention Grant Carryover

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional expenditures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other governmental funds are not presented in the budgetary comparison on pages 35 and 36.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$1.3 million less than the total budgeted receipts, a variance of 3.2% for the reasons noted above.

Total expenditures were approximately \$6.7 million less than total budgeted expenditures, a variance of 14.5%. Most of the variance is due to an over estimation of instruction, debt service, and capital projects expenditures. Instruction was budgeted to reflect unspent budget authority instead of actual expenditures from current revenues. Debt service was budgeted at double what was required to service the FY04 debt obligation. Capital construction expenditures were slowed to match actual revenues and bond proceeds.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2004

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2004, the District had invested \$39.5 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$7.0 million from last year, primarily due to the new construction and renovation projects in the District's ten-year construction plan. The district completed remodeling and additions at Sunnyside Elementary. Total depreciation expense for the year was \$1,402,828.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2004 (in thousands).

	Activities		Activities		Total		% Change
	2003	2004	2003	2004	2003	2004	
Land and improvements	\$ 2,552	2,511	—	—	2,552	2,511	-1.62%
Buildings and improvements	21,603	28,527	—	—	21,603	28,527	32.05%
Vehicles, furniture and equipment	2,283	2,450	137	136	2,420	2,586	7.29%
Construction in progress	5,919	5,863	—	—	5,919	5,863	0.94%
Total	\$ 32,357	39,351	137	136	32,494	39,487	21.52%

Additional information on the District's capital assets can be found in Note 4 on page 32 to 33 of this report.

Debt Administration. At year-end, the District had \$10,926,270 in other long-term debt outstanding, of which \$996,394 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2004.

	Amount		% Change
	2003	2004	
Revenue Bonds	\$ 4,385,000	3,730,000	-14.9%
Quality Zone Academy Bonds	668,000	668,000	0.0%
Revenue Bans	—	5,000,000	100.0%
Early Retirement	309,279	1,422,800	360.0%
Compensated Absences	88,452	105,470	19.2%
Total	\$ 5,450,731	10,926,270	100.5%

State statutes currently limit the amount of general obligation debt a district may issue to 5% of its total assessed valuation. The current debt limitation for the District is \$58,871,161 which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 5 on page 33 to 34 of this report.

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Management's Discussion and Analysis

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CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Office, Burlington Community School District, 1429 West Avenue, Burlington, Iowa 5260.

BASIC FINANCIAL STATEMENTS

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 11,205,477	56,143	11,261,620
Receivables:			
Property tax:			
Delinquent	130,133	0	130,133
Succeeding year	11,461,987	0	11,461,987
Accounts	36,991	140	37,131
Accrued interest	5,589	13	5,602
Due from other governments	1,386,481	0	1,386,481
Inventories	0	33,083	33,083
Capital assets, net of accumulated depreciation(note 4)	39,351,307	136,058	39,487,365
TOTAL ASSETS	63,577,965	225,437	63,803,402
LIABILITIES			
Accounts payable	1,573,370	1,875	1,575,245
Salaries and benefits payable	4,166,537	56,581	4,223,118
Accrued interest payable	46,031	0	46,031
Deferred revenue:			
Succeeding year property tax	11,461,987	0	11,461,987
Other	0	12,078	12,078
Long-term liabilities(note 5):			
Portion due within one year:			
Revenue bonds payable	680,000	0	680,000
Early retirement payable	210,924	0	210,924
Compensated absences payable	105,470	0	105,470
Portion due after one year:			
Revenue bonds payable	3,050,000	0	3,050,000
QZAB bonds payable	668,000	0	668,000
Revenue bans payable	5,000,000	0	5,000,000
Early retirement payable	1,211,876	0	1,211,876
TOTAL LIABILITIES	28,174,195	70,534	28,244,729
NET ASSETS			
Investment in capital assets, net of related debt	29,953,307	136,058	30,089,365
Restricted for:			
Early intervention	5,964	0	5,964
Talented and gifted	23,304	0	23,304
Teacher compensation	1,158	0	1,158
Medicaid	50,096	0	50,096
Debt service	1,077,094	0	1,077,094
Capital projects	192,413	0	192,413
Physical plant and equipment levy	611,967	0	611,967
Other special revenue purposes	548,939	0	548,939
Unrestricted	2,939,528	18,845	2,958,373
TOTAL NET ASSETS	\$ 35,403,770	154,903	35,558,673

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 16,946,412	474,108	2,854,841
Special instruction	7,652,431	190,086	207,562
Other instruction	1,915,886	978,514	0
	<u>26,514,729</u>	<u>1,642,708</u>	<u>3,062,403</u>
Support services:			
Student services	963,057	0	0
Instructional staff services	898,928	19,305	0
Administration services	2,525,998	0	0
Operation and maintenance of plant services	2,804,811	13,429	0
Transportation services	741,368	3,224	27,691
Central support services	187,007	0	0
	<u>8,121,169</u>	<u>35,958</u>	<u>27,691</u>
Non-instructional programs:			
Food service operations	5,715	0	0
Community service and education operations	12,137	0	0
Operation of non-instructional programs	429,809	0	0
	<u>447,661</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	785,265	0	0
Long-term debt interest	289,790	0	0
AEA flowthrough	1,399,050	0	1,399,050
Depreciation(unallocated)*	759,353	0	0
	<u>3,233,458</u>	<u>0</u>	<u>1,399,050</u>
Total governmental activities	38,317,017	1,678,666	4,489,144
Business-Type activities:			
Non-instructional programs:			
Nutrition services	1,483,838	604,902	867,396
Total	<u>\$ 39,800,855</u>	<u>2,283,568</u>	<u>5,356,540</u>

General Revenues:

Local tax:
 General purposes
 Capital projects
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Gain(loss) on sale of capital assets

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(13,617,463)	0	(13,617,463)
(7,254,783)	0	(7,254,783)
(937,372)	0	(937,372)
<u>(21,809,618)</u>	<u>0</u>	<u>(21,809,618)</u>
(963,057)	0	(963,057)
(879,623)	0	(879,623)
(2,525,998)	0	(2,525,998)
(2,791,382)	0	(2,791,382)
(710,453)	0	(710,453)
(187,007)	0	(187,007)
<u>(8,057,520)</u>	<u>0</u>	<u>(8,057,520)</u>
(5,715)	0	(5,715)
(12,137)	0	(12,137)
(429,809)	0	(429,809)
<u>(447,661)</u>	<u>0</u>	<u>(447,661)</u>
(785,265)	0	(785,265)
(289,790)	0	(289,790)
0	0	0
(759,353)	0	(759,353)
<u>(1,834,408)</u>	<u>0</u>	<u>(1,834,408)</u>
(32,149,207)	0	(32,149,207)
0	(11,540)	(11,540)
<u>(32,149,207)</u>	<u>(11,540)</u>	<u>(32,160,747)</u>
\$ 9,754,950	0	9,754,950
778,496	0	778,496
3,904,447	0	3,904,447
18,058,634	0	18,058,634
107,472	13	107,485
(22,435)	785	(21,650)
<u>32,581,564</u>	<u>798</u>	<u>32,582,362</u>
432,357	(10,742)	421,615
<u>34,971,413</u>	<u>165,645</u>	<u>35,137,058</u>
<u>\$ 35,403,770</u>	<u>154,903</u>	<u>35,558,673</u>

BURLINGTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 8,405,374	353,750	2,446,353	11,205,477
Receivables:				
Property tax				
Delinquent	114,142	0	15,991	130,133
Succeeding year	9,788,447	0	1,673,540	11,461,987
Accounts	30,207	0	6,784	36,991
Accrued interest	4,952	145	492	5,589
Due from other governments	454,065	932,416	0	1,386,481
TOTAL ASSETS	\$ 18,797,187	1,286,311	4,143,160	24,226,658
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 370,219	1,093,898	109,253	1,573,370
Salaries and benefits payable	4,166,537	0	0	4,166,537
Deferred revenue:				
Succeeding year property tax	9,788,447	0	1,673,540	11,461,987
Total liabilities	14,325,203	1,093,898	1,782,793	17,201,894
Fund balances:				
Reserved for:				
Early intervention	5,964	0	0	5,964
Talented and gifted	23,304	0	0	23,304
Teacher compensation	1,158	0	0	1,158
Medicaid	50,096	0	0	50,096
Debt service	0	0	1,077,094	1,077,094
Unreserved:				
Undesignated:				
General	4,391,462	0	0	4,391,462
Capital projects	0	192,413	0	192,413
Management levy	0	0	122,367	122,367
Physical plant and equipment levy	0	0	611,967	611,967
Other special revenue purposes	0	0	548,939	548,939
Total fund balances	4,471,984	192,413	2,360,367	7,024,764
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,797,187	1,286,311	4,143,160	24,226,658

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds (page 19)	\$	7,024,764
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		39,351,307
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.		(46,031)
Long-term liabilities, including bonds payable, revenue bans payable, revenue bonds payable, early retirement early retirement payable, and compensated absences, are not due payable in the current period and, therefore, are not as reported liabilities in the governmental funds.		<u>(10,926,270)</u>
Net assets of governmental activites (page 16)	\$	<u><u>35,403,770</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 9,211,279	3,904,447	1,322,167	14,437,893
Tuition	400,164	0	0	400,164
Other	332,614	20,606	1,025,420	1,378,640
Intermediate sources	7,334	0	0	7,334
State sources	20,757,744	0	17,852	20,775,596
Federal sources	1,772,182	0	0	1,772,182
Total revenues	<u>32,481,317</u>	<u>3,925,053</u>	<u>2,365,439</u>	<u>38,771,809</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	15,620,703	0	452,236	16,072,939
Special instruction	7,665,529	0	0	7,665,529
Other instruction	1,270,415	0	528,345	1,798,760
	<u>24,556,647</u>	<u>0</u>	<u>980,581</u>	<u>25,537,228</u>
Support services:				
Student services	956,170	0	4,827	960,997
Instructional staff services	896,055	0	2,873	898,928
Administration services	2,372,307	0	116,178	2,488,485
Operation and maintenance of plant services	2,739,441	0	89,016	2,828,457
Transportation services	581,152	0	191,160	772,312
Central support services	188,029	0	753	188,782
	<u>7,733,154</u>	<u>0</u>	<u>404,807</u>	<u>8,137,961</u>
Non-instructional programs:				
Food service operations	0	0	5,715	5,715
Community service and education operations	12,137	0	0	12,137
Operation of non-instructional programs	0	0	429,809	429,809
	<u>12,137</u>	<u>0</u>	<u>435,524</u>	<u>447,661</u>
Other expenditures:				
Facilities acquisitions	0	7,850,839	549,425	8,400,264
Long-term debt:				
Principal	0	0	655,000	655,000
Interest and fiscal charges	0	0	298,387	298,387
AEA flowthrough	1,399,050	0	0	1,399,050
	<u>1,399,050</u>	<u>7,850,839</u>	<u>1,502,812</u>	<u>10,752,701</u>
Total expenditures	<u>33,700,988</u>	<u>7,850,839</u>	<u>3,323,724</u>	<u>44,875,551</u>
Deficiency of revenues under expenditures	(1,219,671)	(3,925,786)	(958,285)	(6,103,742)
Other financing sources(uses):				
Transfers in	0	189,430	1,228,788	1,418,218
Transfers out	0	(1,228,788)	(189,430)	(1,418,218)
Sale of bonds	0	5,000,000	0	5,000,000
Sale of equipment	9,098	0	0	9,098
	<u>9,098</u>	<u>3,960,642</u>	<u>1,039,358</u>	<u>5,009,098</u>
Net change in fund balances	(1,210,573)	34,856	81,073	(1,094,644)
Fund balance beginning of year	5,682,557	157,557	2,279,294	8,119,408
Fund balance end of year	<u>\$ 4,471,984</u>	<u>192,413</u>	<u>2,360,367</u>	<u>7,024,764</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2004

Net change in fund balances - total governmental funds (page 21) \$ (1,094,644)

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

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

Expenditures for capital assets	\$ 7,921,961	
Depreciation expense	(928,018)	6,993,943

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. Current year issues exceeded repayments as follows:

Issued	\$ (5,000,000)	
Repaid	655,000	(4,345,000)

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

Early retirement	\$ (1,113,521)	
Compensated absences	(17,018)	(1,130,539)

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.

8,597

Changes in net assets of governmental activities (page 18) \$ 432,357

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 56,143
Receivables:	
Accounts	140
Accrued interest	13
Inventories	33,083
Total current assets	89,379
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation(note 4)	136,058
Total non-current assets	136,058
TOTAL ASSETS	225,437
LIABILITIES	
Current liabilities:	
Accounts payable	1,875
Salaries and benefits payable	56,581
Deferred revenue:	
Other	12,078
TOTAL LIABILITIES	70,534
NET ASSETS	
Investment in capital assets, net of related debt	136,058
Unrestricted	18,845
Total net assets	\$ 154,903

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 604,902
TOTAL OPERATING REVENUES	604,902
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	547,534
Benefits	121,589
Services	10,172
Supplies	777,082
Depreciation	27,180
Other	281
TOTAL OPERATING EXPENSES	1,483,838
OPERATING LOSS	(878,936)
NON-OPERATING REVENUES:	
State sources	20,873
Federal sources	846,523
Interest income	13
Gain from sale of equipment	785
TOTAL NON-OPERATING REVENUES	868,194
Change in net assets	(10,742)
Net assets beginning of year	165,645
Net assets end of year	\$ 154,903

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 587,159
Cash received from miscellaneous operating activities	18,032
Cash payments to employees for services	(720,231)
Cash payments to suppliers for goods or services	(682,941)
Net cash used in operating activities	(797,981)
Cash flows from non-capital financing activities:	
State grants received	20,873
Federal grants received	749,879
Net cash provided by non-capital financing activities	770,752
Cash flows from capital activities:	
Acquisition of assets	(26,450)
Sale of equipment	785
Net cash used in capital activities	(25,665)
Net decrease in cash and cash equivalents	(52,894)
Cash and cash equivalents at beginning of year	109,037
Cash and cash equivalents at end of year	\$ 56,143
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (878,936)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	96,644
Depreciation	27,180
Decrease in inventories	8,938
Decrease in accounts receivable	690
Decrease in accounts payable	(988)
Decrease in salary and benefits payable	(51,108)
Decrease in deferred revenue	(401)
Net cash used in operating activities	\$ (797,981)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and investments	\$ 56,143

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$96,644.

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) **Summary of Significant Accounting Policies**

The Burlington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Burlington, Iowa, and the predominate agricultural territory in Des Moines County. 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, Burlington Community School District has included all funds, organizations, account groups, 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 Burlington 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 do 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 Des Moines County Assessors' 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 support.

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year 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 year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

Capital Assets - Capital assets, which include property, machinery 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.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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

Deferred revenue 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

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

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$8,186,378 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's

investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

The District had investments in certificates of deposit that are stated at a fair value of \$32,433 and are classified as risk category 1, which are investments that are insured and registered and held by the District or its agent in the District's name.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,228,788
Capital Projects	Debt Service	<u>189,430</u>
Total		<u>\$ 1,418,218</u>

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

(4) Capital Assets

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

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,055,912	0	0	2,055,912
Construction in progress	5,918,814	5,863,026	5,918,814	5,863,026
Total capital assets not being depreciated	<u>7,974,726</u>	<u>5,863,026</u>	<u>5,918,814</u>	<u>7,918,938</u>
Capital assets being depreciated:				
Buildings	29,963,795	7,670,787	227,110	37,407,472
Land improvements	826,010	0	0	826,010
Machinery and equipment	10,776,882	786,125	252,053	11,310,954
Total capital assets being depreciated	<u>41,566,687</u>	<u>8,456,912</u>	<u>479,163</u>	<u>49,544,436</u>
Less accumulated depreciation for:				
Buildings	8,360,900	718,052	198,959	8,879,993
Land improvements	329,585	41,301	0	370,886
Machinery and equipment	8,493,564	616,295	248,671	8,861,188
Total accumulated depreciation	<u>17,184,049</u>	<u>1,375,648</u>	<u>447,630</u>	<u>18,112,067</u>
Total capital assets being depreciated, net	<u>24,382,638</u>	<u>7,081,264</u>	<u>31,533</u>	<u>31,432,369</u>
Governmental activities capital assets, net	<u>\$ 32,357,364</u>	<u>12,944,290</u>	<u>5,950,347</u>	<u>39,351,307</u>
Business-type activities:				
Machinery and equipment	\$ 458,442	26,450	9,360	475,532
Less accumulated depreciation	321,654	27,180	9,360	339,474
Business-type activities capital assets, net	<u>\$ 136,788</u>	<u>(730)</u>	<u>0</u>	<u>136,058</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 366,919
Support services:	
Student	2,060
Administration	28,859
Operation and maintenance	84,920
Transportation	132,656
Central support	881
	616,295
Unallocated depreciation	759,353
	\$ 1,375,648
Business-type activities:	
Food services	\$ 27,180

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 4,385,000	0	655,000	3,730,000	680,000
QZAB Bonds	668,000	0	0	668,000	0
Revenue Bans	0	5,000,000	0	5,000,000	0
Early Retirement	309,279	1,357,770	244,249	1,422,800	210,924
Compensated Absences	88,452	105,470	88,452	105,470	105,470
	\$ 5,450,731	6,463,240	987,701	10,926,270	996,394

Bonded debt

Details of the District's June 30, 2004 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 1, 2000		
	Principal	Interest	Total
2005	\$ 680,000	184,125	864,125
2006	710,000	148,425	858,425
2007	745,000	111,150	856,150
2008	780,000	75,763	855,763
2009	815,000	38,713	853,713
Total	\$ 3,730,000	558,176	4,288,176

Quality Zone Academy Bonds (QZAB)

During the year ended June 30, 2002, the District issued zero interest Quality Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects - Local Option Sales and Service Tax fund to a debt sinking fund will be made to pay the indebtedness due April 1, 2009, of \$668,000.

Revenue Bond Anticipation Notes

During the year ended June 30, 2004, the District issued revenue bond anticipation notes. The District has a credit limit set at \$6,500,000 and currently has outstanding \$5,000,000 as a long-term liability due October 1, 2006 to Burlington Bank and Trust.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and have completed five years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2004, totaled \$244,249.

(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, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the year ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$1,182,531, \$1,171,922 and \$1,166,735 respectively, equal to the required contributions for each year.

(7) Risk Management

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

(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 \$1,399,050 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

BURLINGTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 16,216,697	604,915
Intermediate sources	7,334	0
State sources	20,775,596	20,873
Federal sources	1,772,182	846,523
Total revenues	<u>38,771,809</u>	<u>1,472,311</u>
Expenditures:		
Instruction	25,537,228	0
Support services	8,137,961	0
Non-instructional programs	447,661	1,483,838
Other expenditures	10,752,701	0
Total expenditures	<u>44,875,551</u>	<u>1,483,838</u>
Deficiency of revenues under expenditures	(6,103,742)	(11,527)
Other financing sources, net	<u>5,009,098</u>	785
Deficiency of revenues and other financing sources under expenditures	(1,094,644)	(10,742)
Balance beginning of year	<u>8,119,408</u>	165,645
Balance end of year	<u>\$ 7,024,764</u>	<u>154,903</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
16,821,612	17,353,509	17,353,509	(531,897)
7,334	15,000	15,000	(7,666)
20,796,469	21,936,942	21,936,942	(1,140,473)
2,618,705	2,225,000	2,225,000	393,705
<u>40,244,120</u>	<u>41,530,451</u>	<u>41,530,451</u>	<u>(1,286,331)</u>
25,537,228	29,992,120	29,992,120	4,454,892
8,137,961	8,541,411	8,841,411	703,450
1,931,499	1,880,965	2,080,965	149,466
10,752,701	12,186,778	12,186,778	1,434,077
<u>46,359,389</u>	<u>52,601,274</u>	<u>53,101,274</u>	<u>6,741,885</u>
(6,115,269)	(11,070,823)	(11,570,823)	5,455,554
<u>5,009,883</u>	<u>45,000</u>	<u>0</u>	<u>5,009,883</u>
(1,105,386)	(11,025,823)	(11,570,823)	10,465,437
<u>8,285,053</u>	<u>13,824,457</u>	<u>13,824,457</u>	<u>(5,539,404)</u>
<u>7,179,667</u>	<u>2,798,634</u>	<u>2,253,634</u>	<u>4,926,033</u>

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$500,000.

OTHER SUPPLEMENTAL INFORMATION

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	
ASSETS							
Cash and pooled investments	\$ 134,215	399,989	639,123	195,932	1,369,259	1,077,094	2,446,353
Receivables:							
Property tax:							
Delinquent	6,737	0	9,254	0	15,991	0	15,991
Succeeding year	900,000	0	773,540	0	1,673,540	0	1,673,540
Accounts	0	6,784	0	0	6,784	0	6,784
Accrued interest	0	178	201	113	492	0	492
TOTAL ASSETS	\$ 1,040,952	406,951	1,422,118	196,045	3,066,066	1,077,094	4,143,160
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 18,585	45,724	36,611	8,333	109,253	0	109,253
Deferred revenue - succeeding year property tax	900,000	0	773,540	0	1,673,540	0	1,673,540
Total liabilities	918,585	45,724	810,151	8,333	1,782,793	0	1,782,793
Fund equity:							
Reserved for debt service	0	0	0	0	0	1,077,094	1,077,094
Unreserved fund balances	122,367	361,227	611,967	187,712	1,283,273	0	1,283,273
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,040,952	406,951	1,422,118	196,045	3,066,066	1,077,094	4,143,160

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds		
REVENUES:							
Local sources:							
Local tax:							
Local tax:	\$ 543,671	0	778,496	0	1,322,167	0	1,322,167
Other:	1,537	518,148	3,762	460,366	983,813	41,607	1,025,420
State sources:	7,540	0	10,312	0	17,852	0	17,852
TOTAL REVENUES	552,748	518,148	792,570	460,366	2,323,832	41,607	2,365,439
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction:	452,236	0	0	0	452,236	0	452,236
Other instruction:	0	528,345	0	0	528,345	0	528,345
Support services:							
Student services:	4,827	0	0	0	4,827	0	4,827
Instructional staff services:	2,873	0	0	0	2,873	0	2,873
Administration services:	116,178	0	0	0	116,178	0	116,178
Operation and maintenance of plant services:	89,016	0	0	0	89,016	0	89,016
Transportation services:	45,222	0	145,938	0	191,160	0	191,160
Central services:	753	0	0	0	753	0	753
Non-instructional programs:							
Food service operations:	5,715	0	0	0	5,715	0	5,715
Operation of non-instructional programs:	0	0	0	429,809	429,809	0	429,809
Other expenditures:							
Facilities acquisition:	0	0	549,425	0	549,425	0	549,425
Long-term debt:							
Principal:	0	0	0	0	0	655,000	655,000
Interest and fiscal charges:	0	0	0	0	0	298,387	298,387
TOTAL EXPENDITURES	716,820	528,345	695,363	429,809	2,370,337	953,387	3,323,724
Excess(deficiency) of revenues over(under) expenditures	(164,072)	(10,197)	97,207	30,557	(46,505)	(911,780)	(958,285)
OTHER FINANCING SOURCES:							
Transfer in:	0	0	0	0	0	1,228,788	1,228,788
Transfer out:	0	0	0	0	0	(189,430)	(189,430)
	0	0	0	0	0	1,039,358	1,039,358
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(164,072)	(10,197)	97,207	30,557	(46,505)	127,578	81,073
FUND BALANCES BEGINNING OF YEAR	286,439	371,424	514,760	157,155	1,329,778	949,516	2,279,294
FUND BALANCES END OF YEAR	\$ 122,367	361,227	611,967	187,712	1,283,273	1,077,094	2,360,367

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SYSTEM WIDE:				
BUSINESS ACCOUNTS	\$ 57,431	(56,295)	150	986
UNIVERSITY HIGH SCHOOL:				
ACTIVITY	856	1,693	582	1,967
SENIOR HIGH SCHOOL:				
DRAMA	1,424	8,005	10,615	(1,186)
IA CLUB	13,921	0	13,933	(12)
PATHFINDER	(401)	38,712	30,138	8,173
PURPLE AND GRAY	4,980	889	2,954	2,915
CLASS OF 2002	(2,000)	4,000	2,000	0
CLASS OF 2003	15,934	109	16,043	0
CLASS OF 2004	705	23,591	7,660	16,636
CLASS OF 2005	(129)	157	173	(145)
CLASS OF 2006	1,293	1,215	732	1,776
NATIONAL HONOR SOCIETY	223	0	0	223
STUDENT COUNCIL	1,139	23,978	23,996	1,121
RESERVED FUND BALANCE	6,192	0	6,192	0
ART CLUB	4,174	7,269	3,871	7,572
INTERNATIONAL CLUB	3,165	3,264	3,289	3,140
ECOLOGY CLUB	3,402	537	199	3,740
BAND/COLOR GUARD	34	3,882	4,002	(86)
ORCHESTRA/CHAMBER	4,080	1,531	445	5,166
JAZZ BAND	266	0	339	(73)
CHORAL	2,439	45,727	46,829	1,337
PURPLE AIRES	(739)	751	0	12
DECA	7,518	12,312	11,513	8,317
HERO	1,801	1,827	1,877	1,751
HOSA	(4,072)	0	0	(4,072)
OUTDOOR CLASSROOM	503	0	0	503
BPA CLUB	121	0	0	121
SELF-CONTAINED FUNDRAISER	2,062	331	1,054	1,339
GENERAL ATHLETICS	23,431	36,003	18,131	41,303
VARSITY CLUB	17,832	37,672	50,439	5,065
PAW PRINTS	(1,430)	6,539	2,947	2,162
CHEERLEADERS	1,157	2,296	2,377	1,076
ACTIVITY	6,865	12,401	19,078	188

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SENIOR HIGH (CONTINUED):				
BOYS ATHLETICS:				
BASKETBALL	20,059	26,451	26,781	19,729
FOOTBALL	27,187	29,148	27,060	29,275
SWIMMING	3,721	3,398	2,588	4,531
WRESTLING	2,236	5,002	7,050	188
TRACK	2,295	3,914	4,662	1,547
CROSS COUNTRY TRACK	1,263	1,905	1,759	1,409
BASEBALL	4,500	10,262	10,587	4,175
TENNIS	380	1,558	1,388	550
GOLF	187	2,900	2,398	689
SOCCER	782	10,025	8,197	2,610
GIRLS ATHLETICS:				
SOCCER	165	7,002	5,604	1,563
BASKETBALL	9,620	7,329	7,477	9,472
VOLLEYBALL	1,072	5,187	5,053	1,206
SWIMMING	4,585	4,213	3,261	5,537
SOFTBALL	4,439	17,853	18,191	4,101
TRACK	761	4,638	5,174	225
TENNIS	377	1,605	609	1,373
GOLF	387	1,750	1,621	516
FUTURE GRAYHOUND SWIMMING	2,926	8,341	5,503	5,764
FUTURE GRAYHOUND BBALL	7,099	915	2,217	5,797
MIDDLE SCHOOL ATHLETICS	(1)	12,131	11,272	858
MUSIC/DRAMA	3,270	3,194	2,622	3,842
SADD	5,864	6,113	4,738	7,239
TOTAL HIGH SCHOOL	219,064	447,832	446,638	220,258
HORACE MANN	11,342	25,901	6,801	30,442
JAMES MADISON	16,193	22,345	9,988	28,550
OAK STREET	24,309	26,855	20,370	30,794
CENTRAL AVENUE	828	0	(700)	1,528
CORSE	3,276	2,509	0	5,785
BLACK HAWK	14,285	11,605	15,320	10,570
GRIMES	9,629	13,460	11,385	11,704
NORTH HILL	714	4,237	4,094	857
PERKINS	1,958	2,802	867	3,893
SUNNYSIDE	11,539	15,204	12,850	13,893
Total	\$ 371,424	518,148	528,345	361,227

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RESERVE FUND BALANCE	\$ 11,736	0	11,598	138
ADM BLDG POP FUND	94	535	355	274
NEEDY STUDENT	2,007	0	1,809	198
MISC CENTRAL OFFICE	880	941	0	1,821
MARIE WEDERTZ MUSICAL	5,235	0	0	5,235
GUEGLER TRUST	3,618	3,065	0	6,683
JOHN H WITTE FOUNDATION	27,948	40,000	39,034	28,914
ED FOUNDATION SP. PROGRAM	6,700	10,376	10,143	6,933
EARLY RETIREE INSURANCE	(718)	324,959	276,305	47,936
CONNER TRUST FUND	962	596	500	1,058
BLACK HAWK POP FUND	749	2,672	3,154	267
BH BOX TOP FUND	0	315	0	315
BLACK HAWK PTA	15,029	5,418	6,487	13,960
CENTRAL AVE POP FUND	246	95	0	341
CORSE POP FUND	246	3,537	0	3,783
CORSE PTA	3,365	3,472	8,806	(1,969)
GRIMES POP FUND	1,809	1,499	1,446	1,862
GRIMES PTA	(80)	1,345	1,345	(80)
GRIMES LANDSCAPING	22	0	0	22
GRIMES TEACER ACT	366	2,500	2,331	535
NORTH HILL POP FUND	561	2,017	2,480	98
NORTH HILL PTA	247	631	63	815
NORTH HILL ART GRANT	50	0	0	50
PERKINS POP FUND	(8)	1,316	927	381
PERKINS PTA	90	878	802	166
PROSPECT POP FUND	14	0	0	14
SALTER TEACHERS ACT	(690)	0	138	(828)
SUNNYSIDE POP FUND	1,511	1,803	1,301	2,013
SUNNYSIDE EDUCATION	87	0	0	87
JAMES MADISON POP FUND	650	1,954	2,061	543
HORACE MANN POP FUND	3,359	1,118	1,019	3,458
HORACE MANN WORLD CLASS	402	0	0	402
HM PHYLLIS MCADAMS MEMORIAL	2,697	3,050	1,487	4,260
OAK STREET POP FUND	671	1,232	1,322	581
BHS POP FUND	(144)	4,525	3,236	1,145
BHS ADAMS EX SCH	31,015	1,294	1,510	30,799
BHS RENAISSANCE	1,725	16,774	26,745	(8,246)
BHS WAGNER MEMORIAL	1,751	132	405	1,478
BHS E BEDELL MEMORIAL	942	12	0	954
BHS HABERICHTER MEMORIAL	742	32	0	774
BHS F STIEFEL MEMORIAL	681	27	0	708
BHS MINORITY SCHOLARSHIP	4,918	559	1,482	3,995
BHS JOHANNSEN SCHOLARSHIP	4,768	1,332	200	5,900
BHS PERRINE SCHOLARSHIP	2,887	71	149	2,809

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
BHS W DUKE FIELD IMP	10,984	216	0	11,200
BHS EDUCATIONAL FOUNDATION	345	0	0	345
BHS GREYHOUND GOLD	(45)	7,076	5,987	1,044
BHS MUSIC PATRONS	2,970	8,816	10,986	800
BHS COOPER IND	1,491	0	0	1,491
BHS MUSIC CLASS 56	102	0	0	102
BHS ATH TRACK MAINTENANCE	3,257	31	0	3,288
BHS PROJECT CAP/HALL OF FAME	(1,089)	4,145	4,196	(1,140)
Total	<u>\$ 157,155</u>	<u>460,366</u>	<u>429,809</u>	<u>187,712</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 14,437,893	14,648,537	14,340,697	14,339,067
Tuition	400,164	426,775	411,950	291,337
Other	1,378,640	1,460,100	1,621,051	2,036,011
Intermediate sources	7,334	7,828	15,000	0
State sources	20,775,596	21,957,783	21,682,717	22,170,404
Federal sources	1,772,182	1,589,163	1,896,566	1,348,651
Total	\$ 38,771,809	40,090,186	39,967,981	40,185,470
Expenditures:				
Instruction:				
Regular instruction	\$ 16,072,939	16,192,688	15,872,235	15,999,044
Special instruction	7,665,529	7,439,639	7,218,726	7,113,769
Other instruction	1,798,760	1,845,121	2,129,372	2,061,196
Support services:				
Student services	960,997	935,391	919,905	892,483
Instructional staff services	898,928	826,444	1,047,412	1,097,098
Administration services	2,488,485	2,515,959	2,411,312	2,133,245
Operation and maintenance of plant services	2,828,457	2,933,226	2,639,485	2,792,421
Transportation services	772,312	726,649	708,624	724,019
Central support services	188,782	170,323	211,360	244,234
Non-instructional programs	447,661	469,116	30,830	25,159
Other expenditures:				
Facilities acquisitions	8,400,264	8,056,863	7,159,196	5,626,406
Long-term debt:				
Principal	655,000	630,000	605,000	580,000
Interest and other charges	298,387	252,338	283,350	313,800
AEA flow-through	1,399,050	1,506,173	1,509,278	1,575,673
Total	\$ 44,875,551	44,499,930	42,746,085	41,178,547

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION(non-cash)	10.550	FY 04	<u>96,644</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	116,861
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	<u>633,018</u>
			<u>749,879</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-D	48,913
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-G	912,998
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-GC	<u>99,225</u>
			<u>1,061,136</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 04	<u>36,472</u>
TITLE IIA - FEDERAL QUALITY TEACHER PROGRAM	84.367	FY 03	70,688
TITLE IIA - FEDERAL QUALITY TEACHER PROGRAM	84.367	FY 04	<u>238,382</u>
			<u>309,070</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 03	<u>500,000</u>
GOALS 2000 - STATE AND LOCAL EDUCATION	84.369	FY 00	<u>113</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 03	<u>1,149</u>
IOWA PUBLIC TELEVISION:			
STAR SCHOOLS	84.201	FY 03	<u>1,000</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 03	<u>98,619</u>

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED):			
AREA EDUCATION AGENCY (CONTINUED):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 04	<u>207,562</u>
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 02	10,580
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 03	<u>958</u>
			<u>11,538</u>
SPECIAL EDUCATION - STATE PROGRAM IMPROVEMENT GRANTS FOR CHILDREN WITH DISABILITIES (SIGNATURE CAREER)	84.323	FY 03	<u>14,898</u>
SCIENCE CADRE	84.281	FY 04	<u>1,000</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
CENTERS FOR MEDICARE AND MEDICAID SERVICES:			
MEDICAL ASSISTANCE PROGRAM (MEDICAID)	93.778	FY 03	<u>9,893</u>
TOTAL			<u>\$ 3,098,973</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Burlington Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of the
Burlington Community School District:

We have audited the financial statements of Burlington Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 19, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burlington Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Prior year reportable conditions have all been resolved.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 19, 2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance

To the Board of Education of
Burlington Community School District

Compliance

We have audited the compliance of Burlington Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Burlington Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Burlington Community School District's management. Our responsibility is to express an opinion on Burlington Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Burlington Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Burlington Community School District's compliance with those requirements.

In our opinion, Burlington Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

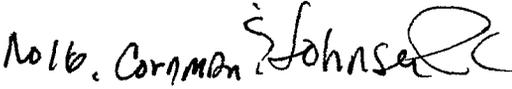
Internal Control Over Compliance

The management of Burlington Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Burlington Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Burlington Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-04 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 19, 2004

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over a major program was disclosed by the audit of the financial statements, this was not considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.215 - Fund for the Improvement of Education (Iowa Demonstration Construction Grant)
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Burlington Community School District did not qualify as a low-risk auditee.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 84.215: Fund for the Improvement of Education (Iowa Demonstration
Construction Grant)

Federal Award Year: 2003

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-04 Davis Bacon Requirements - The District received a grant that is subject to the Davis Bacon and Related Acts whose testing and documentation requirements were not met.

Recommendation - The District must test the wages paid by contractors to the prevailing wage rate for the District as set by the Department of Labor. Also, the District must retain documentation of this testing.

Response - We will comply with Davis Bacon Requirements in any future grants.

Conclusion - Response accepted.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceed the amount budgeted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 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.

IV-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ed Wilson, Teacher Co-Owner of G-W Painting	Painting	\$41,309

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teacher do not appear to represent a conflict of interest.

IV-F-04 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.

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-04 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.