

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

JUNE 30, 2005

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Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 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
Board of Education (After September 2004 Election)		
Forrest Krummel	President	2007
Melanie Richardson	Vice President	2005
Tom Greene	Board Member	2005
Joseph Poisel	Board Member	2006
Linda Garwood	Board Member	2006
Donald Harter	Board Member	2006
Tracy Ekman	Board Member	2007
School Officials		
Mike Book	Superintendent	2005
Chris Van Meter	District Secretary/Treasurer and Business Manager	2005
Sue Sietz	Attorney	2005

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Burlington Community School District, Burlington, Iowa as of and for the year ended June 30, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Burlington Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, 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 November 9, 2005 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 agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing 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 Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. 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, 2004 (which none are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary 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, Audits of States, Local Governments and Non-Profit Organizations, 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.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

November 9, 2005

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

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, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- On May 23, 2005, Horace Mann Middle School experienced a devastating fire. All though the building was not an entire loss, the district's settlement was \$5.9 Million on a total replacement cost of \$9.0 million. The district received \$4.6 million of settlement immediately; the remaining \$1.3 million will be received upon the letting of contracts for a new middle school or remodeling of existing middle schools. The district also received \$688,000 for building of temporary classroom space. Further settlements are expected for the contents and other items.
- The District's total net assets of governmental activities increased \$6,024,447. This is primarily due to the increase in net capital assets during the year and the insurance proceeds from the Horace Mann fire of \$5.5 million.
- General revenues accounted for \$38.7 million of the government-wide revenue, or 85.6% percent of all fiscal year 2005 revenues. Program specific revenues in the form of charges for services and grants, and contributions accounted for \$6.5 million or 14.4% percent of total fiscal year 2005 revenues.
- The District had approximately \$39.2 million in expenses related to governmental activities; of which \$6.5 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$32.7 million provided for the remaining costs of these programs.
- 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 \$62,250 (\$53,348 general fund) for the 2nd year of this settlement.
- The General Fund had \$33.8 million in fiscal year 2005 revenues, which primarily consisted of state aid and property taxes, and \$34.0 million in expenditures. The General Fund's fund balance decreased from \$4.5 million as of June 30, 2004 to \$4.3 million as of June 30, 2005, a planned reduction.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 13.5% to 12.4%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.
- The District's total debt increased by \$1,328,328 during the current fiscal year, due mainly to a new issuance of sales tax revenue bans. The total outstanding at the end of the fiscal year is \$12,254,598.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

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 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

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

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 District's internal service funds (one type of proprietary fund) are the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one internal service fund: Self-funded Insurance. 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.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

<u>Major Features of the Government-Wide and Fund Financial Statements</u>			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary 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
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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
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

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

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 \$41.4 million as of June 30, 2005.

A large portion of the District's net assets (72.4%) 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 \$12.6 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

June 30, 2005

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 (in thousands).

		Government		Business -		Total	
		Activities		Type			
		2004	2005	2004	2005	2004	2005
Current assets	\$	24,227	30,607	89	83	24,316	30,690
Capital assets, net		39,351	39,914	136	118	39,487	40,032
Total assets		63,578	70,521	225	201	63,803	70,722
Current liabilities		17,248	16,538	71	69	17,319	16,607
Long-term liabilities		10,926	12,555	—	—	10,926	12,555
Total liabilities		28,174	29,093	71	69	28,245	29,162
Net assets:							
Invested in capital assets, net of related debt		29,953	31,071	136	118	30,089	31,189
Restricted		2,512	7,397	—	—	2,512	7,397
Unrestricted		2,939	2,960	19	14	2,958	2,974
Total net assets	\$	35,404	41,428	155	132	35,559	41,560

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

The net addition of \$1,628,328 million in capital assets through capital construction, other school improvements, and purchases of furniture, equipment and vehicles.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$45.3 million. The total cost of all programs and services was \$39.2 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 (in thousands).

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

	Government Activities		Business- Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program revenues:						
Charges for services	\$ 1,679	1,699	605	601	2,284	2,300
Operating grants and contributions	4,489	4,815	867	902	5,356	5,717
General revenues:						
Property taxes	10,534	11,388	—	—	10,534	11,388
Sales tax, capital projects	3,904	3,430	—	—	3,904	3,430
Unrestricted investment earnings	107	188	—	—	107	188
Unrestricted state grants	18,059	18,269	—	—	18,059	18,269
Other	(22)	5,467	1	1	(21)	5,468
Total revenues	38,750	45,256	1,473	1,504	40,223	46,760
Expenses:						
Instructional	26,515	25,295	—	—	26,515	25,295
Support services:						
Student services	963	954	—	—	963	954
Instructional staff services	899	1,310	—	—	899	1,310
Administration services	2,526	2,855	—	—	2,526	2,855
Operation and maintenance of plant services	2,805	2,869	—	—	2,805	2,869
Transportation services	741	829	—	—	741	829
Central support services	187	—	—	—	187	—
Non-instructional programs	448	262	1,484	1,527	1,932	1,789
Other expenditures:						
Facilities acquisitions	785	2,259	—	—	785	2,259
Long-term debt interest	290	329	—	—	290	329
AEA flowthrough	1,399	1,376	—	—	1,399	1,376
Depreciation(unallocated)	759	894	—	—	759	894
Total expenses	38,317	39,232	1,484	1,527	39,801	40,759
Excess before transfers	433	6,024	(11)	(23)	422	6,001
Transfers	—	—	—	—	—	—
Change in net assets	433	6,024	(11)	(23)	422	6,001
Beginning net assets	34,971	35,404	166	155	35,137	35,559
Ending net assets	\$ 35,404	41,428	155	132	35,559	41,560

Governmental Activities

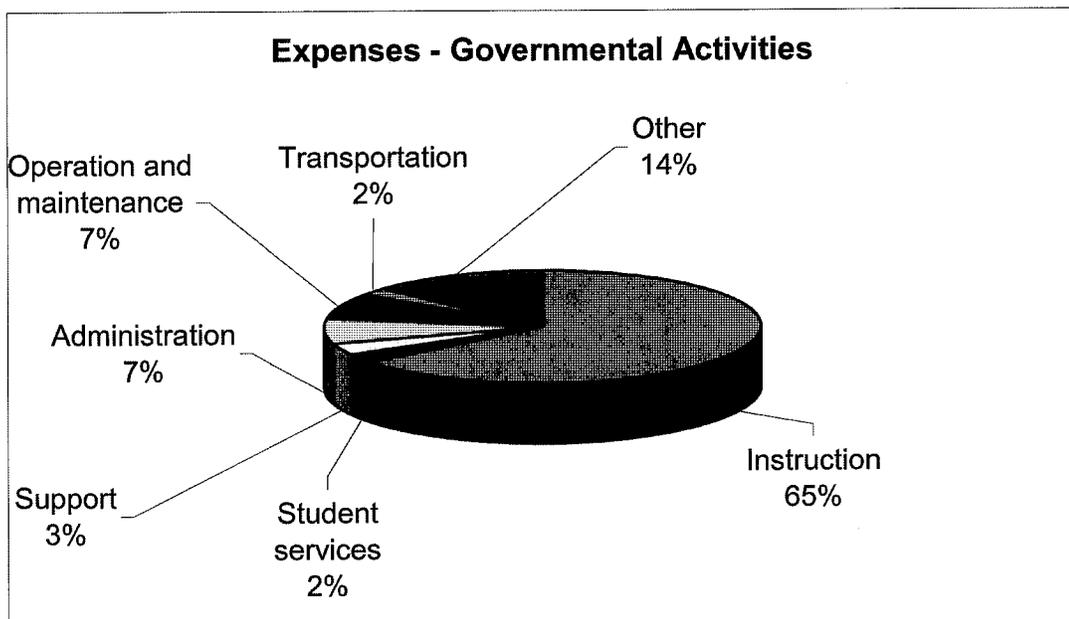
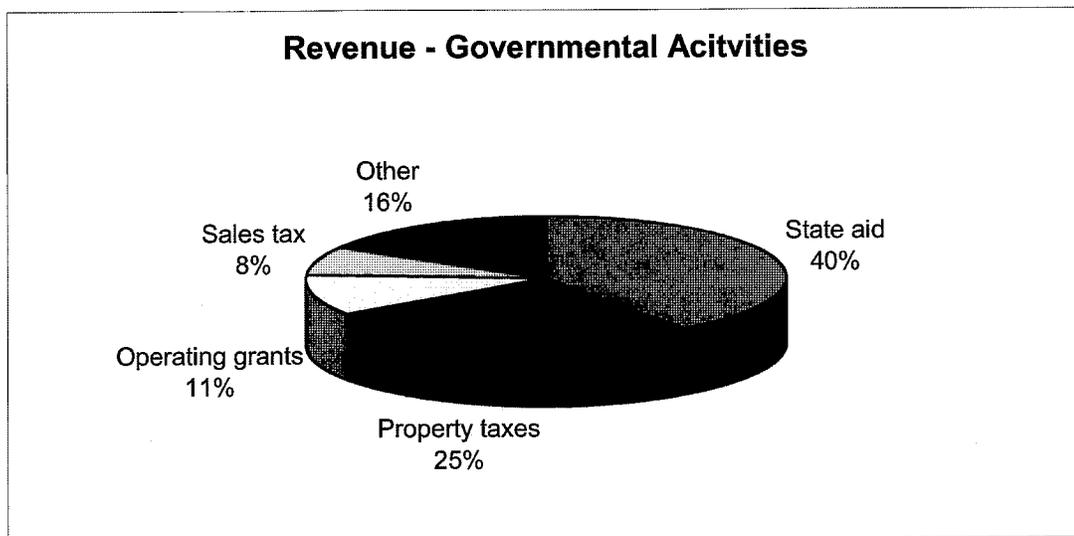
Unrestricted state grants, property taxes, and sales tax are the primary sources of revenue for the District. Sales tax revenue was \$270,000 less than the estimate established by the District due mostly to the downturn in the economy. Economic conditions also caused shortfalls in the budget for the State of Iowa.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

Instruction constitutes the largest portion of expenditures at \$25.3 million or 65%. 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

June 30, 2005

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		
	2004	2005	% Change	2004	2005	% Change
Instructional	\$ 26,515	25,295	-4.60%	(21,810)	(20,490)	-6.05%
Support services:						
Student services	963	954	-0.93%	(963)	(954)	-0.93%
Instructional staff services	899	1,310	45.72%	(880)	(1,263)	43.52%
Administration services	2,526	2,855	13.02%	(2,526)	(2,855)	13.02%
Operation and maintenance	2,805	2,869	2.28%	(2,791)	(2,859)	2.44%
Transportation services	741	829	11.88%	(710)	(789)	11.13%
Central support services	187	—	-100.00%	(187)	—	-100.00%
Non-instructional programs	448	262	-41.52%	(448)	(26)	-94.20%
Other expenditures:						
Facilities acquisitions	785	2,259	187.77%	(785)	(2,259)	187.77%
Long-term debt interest	290	329	13.45%	(290)	(329)	13.45%
AEA flowthrough	1,399	1,376	-1.64%	—	—	—
Depreciation(unallocated)	759	894	17.79%	(759)	(894)	17.79%
Total expenses	\$ 38,317	39,232	2.39%	(32,149)	(32,718)	1.77%

- The cost of all governmental activities this year was \$39.2 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$6.5 million.
- Net cost of governmental activities (\$32.7 million) was financed by general revenues, which are made up of primarily property and sales tax (\$14.8 million) and state aid (\$18.3 million). Investment earnings, gain on sale of property and miscellaneous sources accounted for \$5.7 million.

Business-type Activities

Revenues of the District’s business-type activities were \$1,503,269 and expenses were \$1,526,374. 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, food 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 negative \$23,105 for fiscal year 2005.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

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 \$219,527 was a planned reduction. 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
- \$689 for Gifted and Talented Carryover
- \$2,265 for Salary Improvement Program
- \$1,970 for Prepaid Expenses

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 \$156,135 less than the total budgeted receipts, a variance of less than 1% for the reasons noted above.

Total expenditures were approximately \$2 million less than total budgeted expenditures, a variance of 4.5%. Most of the variance is due to the proceeds from the Horace Mann Fire. In addition, the district decided to invest excess sales tax revenue at a high interest rate than the interest rate on the Bond Anticipation Notes (BANs) rather than pay down early the debt which comes due on October 1, 2006.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District had invested \$40 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 \$141,010 from last year, primarily due to the new construction and renovation projects in the District's ten-year construction plan, the sale of three district properties, and the loss of one facility due to fire. The district completed remodeling and additions at Grimes Elementary. Total depreciation expense for the year was \$1,516,387.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2005 (in thousands).

	Activities		Activities		Total		% Change
	2004	2005	2004	2005	2004	2005	
Land and improvements	\$ 2,511	2,331	—	—	2,511	2,331	-7.17%
Buildings and improvements	28,527	35,185	—	—	28,527	35,185	23.34%
Vehicles, furniture and equipment	2,450	2,398	136	118	2,586	2,516	-2.71%
Construction in progress	5,863	—	—	—	5,863	—	-100.00%
Total	\$ 39,351	39,914	136	118	39,487	40,032	1.38%

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 \$12,254,598 in other long-term debt outstanding, of which \$1,127,449 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, 2005.

	Amount		% Change
	2004	2005	
Revenue Bonds	\$ 3,730,000	3,050,000	-18.2%
Quality Zone Academy Bonds	668,000	668,000	0.0%
Revenue Bonds	5,000,000	6,200,000	100.0%
Early Retirement	1,422,800	2,223,690	56.3%
Compensated Absences	105,470	112,908	7.1%
Total	\$ 10,926,270	12,254,598	12.2%

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 \$60,847,018 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.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2005

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, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 12,695,694	52,029	12,747,723
Receivables:			
Property tax:			
Delinquent	158,689	0	158,689
Succeeding year	12,202,053	0	12,202,053
Accounts	4,365,193	1,399	4,366,592
Due from other governments	1,183,762	0	1,183,762
Prepaid expenses	1,970	0	1,970
Inventories	0	29,069	29,069
Capital assets, net of accumulated depreciation (Note 4)	39,914,073	118,301	40,032,374
TOTAL ASSETS	70,521,434	200,798	70,722,232
LIABILITIES			
Accounts payable	1,124,211	7,134	1,131,345
Salaries and benefits payable	3,475,249	48,725	3,523,974
Accrued interest payable	37,106	0	37,106
Deferred revenue:			
Succeeding year property tax	12,202,053	0	12,202,053
Other	0	13,141	13,141
Long-term liabilities (note 5):			
Portion due within one year:			
Revenue bonds payable	710,000	0	710,000
Early retirement payable	304,541	0	304,541
Compensated absences payable	112,908	0	112,908
Portion due after one year:			
Revenue bonds payable	2,340,000	0	2,340,000
QZAB bonds payable	668,000	0	668,000
Revenue bans payable	6,200,000	0	6,200,000
Early retirement payable	1,919,149	0	1,919,149
TOTAL LIABILITIES	29,093,217	69,000	29,162,217
NET ASSETS			
Investment in capital assets, net of related debt	31,071,222	118,301	31,189,523
Restricted for:			
Talented and gifted	689	0	689
Salary improvement program	2,265	0	2,265
Prepaid expenses	1,970	0	1,970
Medicaid	50,096	0	50,096
Capital projects	6,678,052	0	6,678,052
Physical plant and equipment levy	106,951	0	106,951
Other special revenue purposes	556,247	0	556,247
Unrestricted	2,960,725	13,497	2,974,222
TOTAL NET ASSETS	\$ 41,428,217	131,798	41,560,015

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 15,666,126	300,193	2,905,194
Special instruction	5,993,163	328,854	259,462
Other instruction	3,635,432	1,010,677	0
	<u>25,294,721</u>	<u>1,639,724</u>	<u>3,164,656</u>
Support services:			
Student services	953,910	0	0
Instructional staff services	1,310,288	47,425	0
Administration services	2,854,968	0	0
Operation and maintenance of plant services	2,868,966	9,968	0
Transportation services	829,463	2,255	38,128
	<u>8,817,595</u>	<u>59,648</u>	<u>38,128</u>
Non-instructional programs:			
Food service operations	(14,699)	0	0
Community service and education operations	9,825	0	0
Operation of non-instructional programs	266,581	0	235,813
	<u>261,707</u>	<u>0</u>	<u>235,813</u>
Other expenditures:			
Facilities acquisitions	2,258,925	0	0
Long-term debt interest	329,188	0	0
AEA flowthrough	1,376,228	0	1,376,228
Depreciation(unallocated)*	893,605	0	0
	<u>4,857,946</u>	<u>0</u>	<u>1,376,228</u>
Total governmental activities	39,231,969	1,699,372	4,814,825
Business-Type activities:			
Non-instructional programs:			
Nutrition services	1,526,374	600,780	901,747
Total	<u>\$ 40,758,343</u>	<u>2,300,152</u>	<u>5,716,572</u>

General Revenues:

Local tax:
 General purposes
 Capital projects
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

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 BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(12,460,739)	0	(12,460,739)
(5,404,847)	0	(5,404,847)
(2,624,755)	0	(2,624,755)
(20,490,341)	0	(20,490,341)
(953,910)	0	(953,910)
(1,262,863)	0	(1,262,863)
(2,854,968)	0	(2,854,968)
(2,858,998)	0	(2,858,998)
(789,080)	0	(789,080)
(8,719,819)	0	(8,719,819)
14,699	0	14,699
(9,825)	0	(9,825)
(30,768)	0	(30,768)
(25,894)	0	(25,894)
(2,258,925)	0	(2,258,925)
(329,188)	0	(329,188)
0	0	0
(893,605)	0	(893,605)
(3,481,718)	0	(3,481,718)
(32,717,772)	0	(32,717,772)
0	(23,847)	(23,847)
(32,717,772)	(23,847)	(32,741,619)
\$ 10,620,509	0	10,620,509
767,594	0	767,594
3,429,703	0	3,429,703
18,269,169	0	18,269,169
188,339	742	189,081
5,466,905	0	5,466,905
38,742,219	742	38,742,961
6,024,447	(23,105)	6,001,342
35,403,770	154,903	35,558,673
\$ 41,428,217	131,798	41,560,015

BURLINGTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 7,180,259	2,478,019	2,071,373	11,729,651
Receivables:				
Property tax				
Delinquent	135,554	0	23,135	158,689
Succeeding year	10,524,757	0	1,677,296	12,202,053
Accounts	48,336	4,315,499	567	4,364,402
Due from other governments	756,428	427,334	0	1,183,762
Prepaid expenses	1,970	0	0	1,970
TOTAL ASSETS	\$ 18,647,304	7,220,852	3,772,371	29,640,527
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 394,841	542,800	183,113	1,120,754
Salaries and benefits payable	3,475,249	0	0	3,475,249
Deferred revenue:				
Succeeding year property tax	10,524,757	0	1,677,296	12,202,053
Total liabilities	14,394,847	542,800	1,860,409	16,798,056
Fund balances:				
Reserved for:				
Talented and gifted	689	0	0	689
Salary improvement program	2,265	0	0	2,265
Debt service	0	0	1,112,255	1,112,255
Prepaid expenses	1,970	0	0	1,970
Medicaid	50,096	0	0	50,096
Unreserved:				
Undesignated:				
General	4,197,437	0	0	4,197,437
Capital projects	0	6,678,052	0	6,678,052
Management levy	0	0	136,509	136,509
Physical plant and equipment levy	0	0	106,951	106,951
Other special revenue purposes	0	0	556,247	556,247
Total fund balances	4,252,457	6,678,052	1,911,962	12,842,471
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,647,304	7,220,852	3,772,371	29,640,527

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 19)	\$	12,842,471
 <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.		39,914,073
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		963,377
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.		(37,106)
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>(12,254,598)</u>
Net assets of governmental activites (page 16)	\$	<u>41,428,217</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 9,726,624	3,429,703	1,661,479	14,817,806
Tuition	629,047	0	0	629,047
Other	340,297	23,061	895,306	1,258,664
Intermediate sources	1,023	0	0	1,023
State sources	21,106,762	0	2,032	21,108,794
Federal sources	1,974,177	0	0	1,974,177
Total revenues	<u>33,777,930</u>	<u>3,452,764</u>	<u>2,558,817</u>	<u>39,789,511</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	15,005,578	0	521,604	15,527,182
Special instruction	5,993,163	0	0	5,993,163
Other instruction	3,068,528	0	571,801	3,640,329
	<u>24,067,269</u>	<u>0</u>	<u>1,093,405</u>	<u>25,160,674</u>
Support services:				
Student services	974,372	0	9,482	983,854
Instructional staff services	1,321,773	0	7,682	1,329,455
Administration services	2,770,830	0	190,090	2,960,920
Operation and maintenance of plant services	2,824,116	0	99,104	2,923,220
Transportation services	685,268	0	157,718	842,986
	<u>8,576,359</u>	<u>0</u>	<u>464,076</u>	<u>9,040,435</u>
Non-instructional programs:				
Food service operations	0	0	7,673	7,673
Community service and education operations	9,825	0	0	9,825
Operation of non-instructional programs	0	0	266,581	266,581
	<u>9,825</u>	<u>0</u>	<u>274,254</u>	<u>284,079</u>
Other expenditures:				
Facilities acquisitions	0	2,475,597	1,525,398	4,000,995
Long-term debt:				
Principal	0	0	980,000	980,000
Interest and fiscal charges	0	0	338,113	338,113
AEA flowthrough	1,376,228	0	0	1,376,228
	<u>1,376,228</u>	<u>2,475,597</u>	<u>2,843,511</u>	<u>6,695,336</u>
Total expenditures	<u>34,029,681</u>	<u>2,475,597</u>	<u>4,675,246</u>	<u>41,180,524</u>
Excess(deficiency) of revenues over(under) expenditures	(251,751)	977,167	(2,116,429)	(1,391,013)
Other financing sources(uses):				
Transfers in	0	553,179	1,860,206	2,413,385
Transfers out	0	(1,860,206)	(553,179)	(2,413,385)
Compensation for loss of capital assets	1,351	5,315,499	115,672	5,432,522
Sale of property	0	0	245,325	245,325
Sale of bonds	0	1,500,000	0	1,500,000
Sale of equipment	30,873	0	0	30,873
Total other financing sources(uses)	<u>32,224</u>	<u>5,508,472</u>	<u>1,668,024</u>	<u>7,208,720</u>
Net change in fund balances	(219,527)	6,485,639	(448,405)	5,817,707
Fund balance beginning of year	4,471,984	192,413	2,360,367	7,024,764
Fund balance end of year	<u>\$ 4,252,457</u>	<u>6,678,052</u>	<u>1,911,962</u>	<u>12,842,471</u>

SEE NOTES TO BASIC 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, 2005

Net change in fund balances - total governmental funds (page 21) \$ 5,817,707

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	\$ 2,302,155	
Depreciation expense	(1,497,574)	
Loss on disposal of capital assets	<u>(241,815)</u>	562,766

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 expenditures 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	\$ (1,500,000)	
Repaid	<u>980,000</u>	(520,000)

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	\$ (800,890)	
Compensated absences	<u>(7,438)</u>	(808,328)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.

963,377

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.

8,925

Changes in net assets of governmental activities (page 18)

\$ 6,024,447

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 52,029	966,043
Receivables:		
Accounts	1,399	791
Inventories	29,069	0
Total current assets	<u>82,497</u>	<u>966,834</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation (Note 4)	118,301	0
Total non-current assets	<u>118,301</u>	<u>0</u>
TOTAL ASSETS	<u>200,798</u>	<u>966,834</u>
LIABILITIES		
Current liabilities:		
Accounts payable	7,134	3,457
Salaries and benefits payable	48,725	0
Deferred revenue:		
Other	13,141	0
TOTAL LIABILITIES	<u>69,000</u>	<u>3,457</u>
NET ASSETS		
Investment in capital assets	118,301	0
Unrestricted	13,497	963,377
Total net assets	<u>\$ 131,798</u>	<u>963,377</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 600,780	4,734,593
TOTAL OPERATING REVENUES	<u>600,780</u>	<u>4,734,593</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	554,314	0
Benefits	124,846	3,771,216
Services	8,172	0
Supplies	819,562	0
Depreciation	18,813	0
Other	667	0
TOTAL OPERATING EXPENSES	<u>1,526,374</u>	<u>3,771,216</u>
OPERATING INCOME (LOSS)	<u>(925,594)</u>	<u>963,377</u>
NON-OPERATING REVENUES:		
State sources	20,198	0
Federal sources	881,549	0
Interest income	742	0
TOTAL NON-OPERATING REVENUES	<u>902,489</u>	<u>0</u>
Changes in net assets	(23,105)	963,377
Net assets beginning of year	<u>154,903</u>	<u>0</u>
Net assets end of year	<u>\$ 131,798</u>	<u>963,377</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 562,763	0
Cash received from miscellaneous operating activities	37,834	4,733,802
Cash payments to employees for services	(687,016)	0
Cash payments to suppliers for goods or services	(734,851)	(3,767,759)
Net cash provided by(used in) operating activities	<u>(821,270)</u>	<u>966,043</u>
Cash flows from non-capital financing activities:		
State grants received	20,198	0
Federal grants received	797,272	0
Net cash provided by non-capital financing activities	<u>817,470</u>	<u>0</u>
Cash flows from capital activities:		
Acquisition of assets	(1,056)	0
Net cash used in capital activities	<u>(1,056)</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	742	0
Net cash provided by investing activities	<u>742</u>	<u>0</u>
Net increase(decrease) in cash and cash equivalents	(4,114)	966,043
Cash and cash equivalents at beginning of year	56,143	0
Cash and cash equivalents at end of year	<u>\$ 52,029</u>	<u>966,043</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (925,594)	963,377
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	84,277	0
Depreciation	18,813	0
Decrease in inventories	4,014	0
Increase in accounts receivable	(1,246)	(791)
Increase in accounts payable	5,259	3,457
Decrease in salary and benefits payable	(7,856)	0
Increase in deferred revenue	1,063	0
Net cash used in operating activities	<u>\$ (821,270)</u>	<u>966,043</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	<u>\$ 52,029</u>	<u>966,043</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		

During the year ended June 30, 2005, the District received Federal commodities valued at \$84,277.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

(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, 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 and the Internal Service Fund, Self-funded Insurance. The School Nutrition Fund is used to account for the food service operations of the District. The Self-funded

Insurance Fund is used to account for employee and board contributions for health insurance premiums.

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

Capital Assets - Capital assets, which include property, 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 the current school year, which are 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, 2005. 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, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 8,294,183</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District had investments in certificates of deposit that are stated at a fair value of \$1,025,588 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, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,860,206
Capital Projects	Debt Service	<u>553,179</u>
Total		<u>\$ 2,413,385</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, 2005 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	65,200	1,990,712
Construction in progress	5,863,026	0	5,863,026	0
Total capital assets not being depreciated	<u>7,918,938</u>	<u>0</u>	<u>5,928,226</u>	<u>1,990,712</u>
Capital assets being depreciated:				
Buildings	37,407,472	7,605,096	1,611,154	43,401,414
Land improvements	826,010	0	146,546	679,464
Machinery and equipment	11,310,954	560,085	338,245	11,532,794
Total capital assets being depreciated	<u>49,544,436</u>	<u>8,165,181</u>	<u>2,095,945</u>	<u>55,613,672</u>
Less accumulated depreciation for:				
Buildings	8,879,993	859,633	1,523,258	8,216,368
Land improvements	370,886	33,973	65,946	338,913
Machinery and equipment	8,861,188	603,968	330,126	9,135,030
Total accumulated depreciation	<u>18,112,067</u>	<u>1,497,574</u>	<u>1,919,330</u>	<u>17,690,311</u>
Total capital assets being depreciated, net	<u>31,432,369</u>	<u>6,667,607</u>	<u>176,615</u>	<u>37,923,361</u>
Governmental activities capital assets, net	<u>\$ 39,351,307</u>	<u>6,667,607</u>	<u>6,104,841</u>	<u>39,914,073</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 475,532	1,056	0	476,588
Less accumulated depreciation	339,474	18,813	0	358,287
Business-type activities capital assets, net	\$ 136,058	(17,757)	0	118,301

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 353,188
Support services:	
Student	2,060
Administration	26,782
Operation and maintenance	90,344
Transportation	131,595
	603,969
Unallocated depreciation	893,605
Total governmental activities depreciation expense	\$ 1,497,574
Business-type activities:	
Food services	\$ 18,813

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 3,730,000	0	680,000	3,050,000	710,000
QZAB Bonds	668,000	0	0	668,000	0
Revenue Bans	5,000,000	1,500,000	300,000	6,200,000	0
Early Retirement	1,422,800	1,056,415	255,525	2,223,690	304,541
Compensated Absences	105,470	112,908	105,470	112,908	112,908
Total	\$ 10,926,270	2,669,323	1,340,995	12,254,598	1,127,449

Bonded debt

Details of the District's June 30, 2005 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 1, 2000		
	Principal	Interest	Total
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	\$ 3,050,000	374,051	3,424,051

Quality Zone Academy Bonds (QZAB)

During the year ended June 30, 2003, 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, 2005, the District issued revenue bond anticipation notes. The District has a credit limit set at \$6,500,000 and currently has outstanding \$6,200,000 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, 2005, totaled \$255,525.

(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, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$1,167,300, \$1,182,531 and \$1,171,922 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 \$1,376,228 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY 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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 16,705,517	601,522
Intermediate sources	1,023	0
State sources	21,108,794	20,198
Federal sources	1,974,177	881,549
Total revenues	<u>39,789,511</u>	<u>1,503,269</u>
Expenditures:		
Instruction	25,160,674	0
Support services	9,040,435	0
Non-instructional programs	284,079	1,526,374
Other expenditures	6,695,336	0
Total expenditures	<u>41,180,524</u>	<u>1,526,374</u>
Excess(deficiency) of revenues over(under) expenditures	(1,391,013)	(23,105)
Other financing sources, net	<u>7,208,720</u>	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	5,817,707	(23,105)
Balance beginning of year	<u>7,024,764</u>	154,903
Balance end of year	<u>\$ 12,842,471</u>	<u>131,798</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
17,307,039	17,425,662	17,425,662	(118,623)
1,023	15,000	15,000	(13,977)
21,128,992	21,337,253	21,337,253	(208,261)
2,855,726	2,671,000	2,671,000	184,726
<u>41,292,780</u>	<u>41,448,915</u>	<u>41,448,915</u>	<u>(156,135)</u>
25,160,674	25,495,238	25,895,238	734,564
9,040,435	8,378,427	9,278,427	237,992
1,810,453	2,138,187	2,238,187	427,734
6,695,336	4,304,129	7,304,129	608,793
<u>42,706,898</u>	<u>40,315,981</u>	<u>44,715,981</u>	<u>2,009,083</u>
(1,414,118)	1,132,934	(3,267,066)	1,852,948
<u>7,208,720</u>	<u>1,545,000</u>	<u>1,545,000</u>	<u>5,663,720</u>
5,794,602	2,677,934	(1,722,066)	7,516,668
7,179,667	7,429,502	7,429,502	(249,835)
<u>12,974,269</u>	<u>10,107,436</u>	<u>5,707,436</u>	<u>7,266,833</u>

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust 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 \$4,400,000.

OTHER SUPPLEMENTARY INFORMATION

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	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	\$ 130,375	408,986	257,344	162,413	959,118	1,112,255	2,071,373
Receivables:							
Property tax							
Delinquent	12,684	0	10,451	0	23,135	0	23,135
Succeeding year	900,000	0	777,296	0	1,677,296	0	1,677,296
Accounts	0	459	0	108	567	0	567
TOTAL ASSETS	\$ 1,043,059	409,445	1,045,091	162,521	2,660,116	1,112,255	3,772,371
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 6,550	12,549	160,844	3,170	183,113	0	183,113
Deferred revenue:							
Succeeding year property tax	900,000	0	777,296	0	1,677,296	0	1,677,296
Total liabilities	906,550	12,549	938,140	3,170	1,860,409	0	1,860,409
Fund equity:							
Reserved for Debt Service	0	0	0	0	0	1,112,255	1,112,255
Unreserved fund balances	136,509	396,896	106,951	159,351	799,707	0	799,707
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,043,059	409,445	1,045,091	162,521	2,660,116	1,112,255	3,772,371

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, 2005

	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	\$ 893,885	0	767,594	0	1,661,479	0	1,661,479
Other	1,774	607,470	1,595	238,220	849,059	46,247	895,306
State sources	1,119	0	913	0	2,032	0	2,032
TOTAL REVENUES	896,778	607,470	770,102	238,220	2,512,570	46,247	2,558,817
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	521,604	0	0	0	521,604	0	521,604
Other instruction	0	571,801	0	0	571,801	0	571,801
Support services:							
Student services	9,482	0	0	0	9,482	0	9,482
Instructional staff services	5,679	0	2,003	0	7,682	0	7,682
Administration services	190,090	0	0	0	190,090	0	190,090
Operation and maintenance of plant services	99,104	0	0	0	99,104	0	99,104
Transportation services	49,004	0	108,714	0	157,718	0	157,718
Non-instructional programs:							
Food service operations	7,673	0	0	0	7,673	0	7,673
Operation of non-instructional programs	0	0	0	266,581	266,581	0	266,581
Other expenditures:							
Facilities acquisition	0	0	1,525,398	0	1,525,398	0	1,525,398
Long-term debt:							
Principal	0	0	0	0	0	980,000	980,000
Interest and fiscal charges	0	0	0	0	0	338,113	338,113
TOTAL EXPENDITURES	882,636	571,801	1,636,115	266,581	3,357,133	1,318,113	4,675,246
Excess(deficiency) of revenues over(under) expenditures	14,142	35,669	(866,013)	(28,361)	(844,563)	(1,271,866)	(2,116,429)
OTHER FINANCING SOURCES(USES):							
Compensation for loss of capital assets	0	0	115,672	0	115,672	0	115,672
Sale of property	0	0	245,325	0	245,325	0	245,325
Transfer in	0	0	0	0	0	1,860,206	1,860,206
Transfer out	0	0	0	0	0	(553,179)	(553,179)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	360,997	0	360,997	1,307,027	1,668,024
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	14,142	35,669	(505,016)	(28,361)	(483,566)	35,161	(448,405)
FUND BALANCES BEGINNING OF YEAR	122,367	361,227	611,967	187,712	1,283,273	1,077,094	2,360,367
FUND BALANCES END OF YEAR	\$ 136,509	396,896	106,951	159,351	799,707	1,112,255	1,911,962

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SYSTEM WIDE:				
BUSINESS ACCOUNTS	\$ 986	561	986	561
UNIVERSITY HIGH SCHOOL:				
ACTIVITY	1,967	934	1,264	1,637
SENIOR HIGH SCHOOL:				
DRAMA	(1,186)	6,283	8,465	(3,368)
IA CLUB	(12)	426	0	414
PATHFINDER	8,173	35,035	25,983	17,225
PURPLE AND GRAY	2,915	235	1,073	2,077
CLASS OF 2004	16,636	0	16,636	0
CLASS OF 2005	(145)	23,378	8,522	14,711
CLASS OF 2006	1,776	473	63	2,186
CLASS OF 2007	0	110	228	(118)
TECHNOLOGY STUDENT	0	3,421	1,888	1,533
NATIONAL HONOR SOCIETY	223	84	84	223
STUDENT COUNCIL	1,121	30,135	27,737	3,519
KIWANIS KEY CLUB	894	1,646	2,118	422
ENRICHMENT FOUNDATION	3,769	4,595	2,352	6,012
RENAISSANCE SCHOLARSHIP	2,079	979	3,023	35
RENAISSANCE STORE	8,076	7,694	16,491	(721)
ART CLUB	7,572	4,449	5,063	6,958
INTERNATIONAL CLUB	3,140	53,211	56,459	(108)
ECOLOGY CLUB	3,740	408	372	3,776
BAND/COLOR GUARD	(86)	70,053	69,496	471
ORCHESTRA/CHAMBER	5,166	980	293	5,853
JAZZ BAND	(73)	5,898	5,800	25
CHORAL	1,337	4,914	2,602	3,649
PURPLE AIRES	12	500	0	512
DECA	8,317	14,213	16,632	5,898
HERO	1,751	7,398	7,473	1,676
HOSA	(4,072)	4,072	0	0
OUTDOOR CLASSROOM	503	0	0	503
BPA CLUB	121	0	0	121
SELF-CONTAINED FUNDRAISER	1,339	0	399	940
GENERAL ATHLETICS	41,303	47,261	31,871	56,693
VARSITY CLUB	5,065	13,613	16,354	2,324
SENIOR COLOR SEL	0	962	0	962
PAW PRINTS	2,162	5,175	4,554	2,783
CHEERLEADERS	1,076	4,415	3,786	1,705
ACTIVITY	(14,630)	33,754	10,765	8,359

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SENIOR HIGH (CONTINUED) :				
BOYS ATHLETICS:				
BASKETBALL	19,729	16,946	11,256	25,419
FOOTBALL	29,275	26,225	27,609	27,891
SWIMMING	4,531	5,539	2,294	7,776
WRESTLING	188	6,134	5,354	968
TRACK	1,547	7,774	8,507	814
CROSS COUNTRY TRACK	1,409	3,439	3,190	1,658
BASEBALL	4,175	10,474	10,179	4,470
TENNIS	550	1,344	636	1,258
GOLF	689	1,250	1,065	874
SOCCER	2,610	1,972	2,384	2,198
GIRLS ATHLETICS:				
SOCCER	1,563	2,388	4,109	(158)
BASKETBALL	9,472	12,225	7,865	13,832
VOLLEYBALL	1,206	5,028	4,650	1,584
SWIMMING	5,537	2,811	1,864	6,484
SOFTBALL	4,101	4,594	8,102	593
TRACK	225	6,933	5,887	1,271
TENNIS	1,373	675	531	1,517
GOLF	516	2,675	1,569	1,622
FUTURE GRAYHOUND SWIMMING	5,764	2,605	4,965	3,404
FUTURE GRAYHOUND BBALL	5,797	0	700	5,097
MIDDLE SCHOOL ATHLETICS	858	8,634	9,004	488
MUSIC/DRAMA	3,842	0	176	3,666
SADD	7,239	7,112	6,777	7,574
TOTAL HIGH SCHOOL	<u>220,258</u>	<u>522,547</u>	<u>475,255</u>	<u>267,550</u>
HORACE MANN	30,442	19,210	26,075	23,577
JAMES MADISON	28,550	17,072	17,353	28,269
OAK STREET	30,794	9,941	15,103	25,632
CENTRAL AVENUE	1,528	0	0	1,528
CORSE	5,785	3,327	6,822	2,290
BLACK HAWK	10,570	9,924	10,450	10,044
GRIMES	11,704	12,309	1,658	22,355
NORTH HILL	857	1,938	2,996	(201)
PERKINS	3,893	665	3,828	730
SUNNYSIDE	13,893	9,042	10,011	12,924
Total	<u>\$ 361,227</u>	<u>607,470</u>	<u>571,801</u>	<u>396,896</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RESERVE FUND BALANCE	\$ 138	613	541	210
ADM BLDG POP FUND	274	347	462	159
NEEDY STUDENT	198	4,095	1,654	2,639
MISC CENTRAL OFFICE	1,821	1,106	0	2,927
MARIE WEDERTZ MUSICAL	5,235	0	0	5,235
GUEGLER TRUST	6,683	3,080	0	9,763
JOHN H WITTE FOUNDATION	28,914	41,000	39,315	30,599
ED FOUNDATION SP. PROGRAM	6,933	11,402	12,459	5,876
EARLY RETIREE INSURANCE	47,936	80,300	126,632	1,604
CONNER TRUST FUND	1,058	578	1,400	236
BLACK HAWK POP FUND	267	2,461	2,148	580
BH BOX TOP FUND	315	1,741	324	1,732
BLACK HAWK PTA	13,960	836	10,796	4,000
CENTRAL AVE POP FUND	341	(341)	0	0
CORSE POP FUND	3,783	467	125	4,125
CORSE PTA	(1,969)	3,514	1,545	0
GRIMES POP FUND	1,862	1,544	1,102	2,304
GRIMES PTA	(80)	80	0	0
GRIMES LANDSCAPING	22	0	0	22
GRIMES TEACER ACT	535	500	597	438
NORTH HILL POP FUND	98	1,286	1,206	178
NORTH HILL PTA	815	5,190	5,031	974
NORTH HILL ART GRANT	50	0	0	50
PERKINS POP FUND	381	1,320	1,078	623
PERKINS PTA	166	0	166	0
PROSPECT POP FUND	14	0	14	0
SALTER TEACHERS ACT	(828)	828	0	0
SUNNYSIDE POP FUND	2,013	2,604	2,990	1,627
SUNNYSIDE EDUCATION	87	0	0	87
JAMES MADISON POP FUND	543	1,379	1,767	155
HORACE MANN POP FUND	3,458	917	2,090	2,285
HORACE MANN WORLD CLASS	402	0	0	402
HM PHYLLIS MCADAMS MEMORIAL	4,260	1,000	1,566	3,694
OAK STREET POP FUND	581	2,444	1,243	1,782
BHS POP FUND	1,145	4,235	3,230	2,150
BHS ADAMS EX SCH	30,799	759	1,399	30,159
BHS RENAISSANCE	(8,246)	45,097	28,014	8,837
BHS WAGNER MEMORIAL	1,478	131	405	1,204
BHS E BEDELL MEMORIAL	954	11	1	964
BHS HABERICHTER MEMORIAL	774	15	25	764
BHS F STIEFEL MEMORIAL	708	26	0	734
BHS MINORITY SCHOLARSHIP	3,995	939	618	4,316
BHS JOHANNSEN SCHOLARSHIP	5,900	1,131	400	6,631
BHS PERRINE SCHOLARSHIP	2,809	55	150	2,714

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
BHS W DUKE FIELD IMP	11,200	541	0	11,741
BHS EDUCATIONAL FOUNDATION	345	0	0	345
BHS GREYHOUND GOLD	1,044	6,368	7,232	180
BHS MUSIC PATRONS	800	8,497	8,876	421
BHS COOPER IND	1,491	0	0	1,491
BHS MUSIC CLASS 56	102	0	0	102
BHS ATH TRACK MAINTENANCE	3,288	124	32	3,380
BHS PROJECT CAP/HALL OF FAME	(1,140)	0	(52)	(1,088)
Total	\$ 187,712	238,220	266,581	159,351

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,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 14,817,806	14,437,893	14,648,537	14,340,697
Tuition	629,047	400,164	426,775	411,950
Other	1,258,664	1,378,640	1,460,100	1,621,051
Intermediate sources	1,023	7,334	7,828	15,000
State sources	21,108,794	20,775,596	21,957,783	21,682,717
Federal sources	1,974,177	1,772,182	1,589,163	1,896,566
Total	\$ 39,789,511	38,771,809	40,090,186	39,967,981
Expenditures:				
Instruction:				
Regular instruction	\$ 15,527,182	16,072,939	16,192,688	15,872,235
Special instruction	5,993,163	7,665,529	7,439,639	7,218,726
Other instruction	3,640,329	1,798,760	1,845,121	2,129,372
Support services:				
Student services	983,854	960,997	935,391	919,905
Instructional staff services	1,329,455	898,928	826,444	1,047,412
Administration services	2,960,920	2,488,485	2,515,959	2,411,312
Operation and maintenance of plant services	2,923,220	2,828,457	2,933,226	2,639,485
Transportation services	842,986	772,312	726,649	708,624
Central support services	0	188,782	170,323	211,360
Non-instructional programs	284,079	447,661	469,116	30,830
Other expenditures:				
Facilities acquisitions	4,000,995	8,400,264	8,056,863	7,159,196
Long-term debt:				
Principal	980,000	655,000	630,000	605,000
Interest and other charges	338,113	298,387	252,338	283,350
AEA flow-through	1,376,228	1,399,050	1,506,173	1,509,278
Total	\$ 41,180,524	44,875,551	44,499,930	42,746,085

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	<u>84,277</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	141,485
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	<u>655,787</u>
			<u>797,272</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-D	33,218
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-G	975,982
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-GC	70,370
			<u>1,079,570</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 05	<u>25,856</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 04	73,342
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	307,843
			<u>381,185</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	<u>69,279</u>
GOALS 2000 - STATE AND LOCAL EDUCATION SYSTEMIC IMPROVEMENT GRANTS	84.276	FY 00	<u>8,963</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 04	<u>20,046</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 05	<u>88,563</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	<u>259,462</u>

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED) :			
AREA EDUCATION AGENCY (CONTINUED) :			
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 03	892
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 04	<u>7,334</u>
			<u>8,226</u>
SPECIAL EDUCATION - STATE PROGRAM IMPROVEMENT GRANTS FOR CHILDREN WITH DISABILITIES (SIGNATURE CAREER)	84.323	FY 03	<u>2,080</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 05	<u>7,000</u>
ENVIRONMENTAL PROTECTION AGENCY: SURVEYS, STUDIES, INVESTIGATIONS, DEMONSTRATIONS AND SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT (CLEAN SCHOOL BUS PROGRAM)	66.034	FY 05	<u>3,420</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES: CENTERS FOR MEDICARE AND MEDICAID SERVICES: MEDICAL ASSISTANCE PROGRAM (MEDICAID)	93.778	FY 05	<u>4,431</u>
CENTERS FOR DISEASE CONTROL AND PREVENTION: YOUTH RISK BEHAVIOR SURVEY (YRBS)	93.938	FY 05	<u>525</u>
TOTAL			<u>\$ 2,840,155</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 basic 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 Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Burlington Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 9, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing 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 opinions on the financial statements and not to provide an opinion 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 Part II of 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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.

Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during 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.

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, including federal awarding agencies and pass-through entities. 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.

November 9, 2005

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 on Internal Control over Compliance
in Accordance with OMB Circular A-133

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 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, 2005. 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 agreements 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, 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 OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 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, 2005.

Internal Control Over Compliance

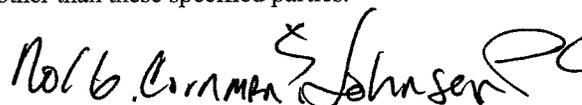
The management of Burlington Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered 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.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected

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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. We noted no matters involving the internal control over compliance and its operations that we consider 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

November 9, 2005

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) 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) No reportable condition in internal control over a major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose 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 84.010 - Title I grants to Local Educational agencies
 - CFDA Number 84.367 - Improving Teacher Quality State Grants
- (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, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - The District has begun to issue pre-numbered tickets and has instituted reconciliation procedures for gate admissions to athletic events and co-curricular events where an admission is charged.

Conclusion - Response accepted.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

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, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 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, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

IV-C-05 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-05 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-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ron Glasgow, Athletic Director Owner of Glasgow's Trophy Shop	Awards	\$1,190

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

IV-F-05 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-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-05 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. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.

Recommendation - The District should contact the appropriate bank and rectify the situation.

Response - All investments have been adjusted to the rates set by the State Rate Setting Committee.

Conclusion - Response accepted.

IV-J-05 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.