

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses and Changes in Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Statement of Changes in Fiduciary Net Assets	K	26
Notes to Financial Statements		27-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		41
Notes to Required Supplementary Information - Budgetary Reporting		42
Schedule of Funding Progress for the Retiree Health Plan		43
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	46-47
Schedule of Changes in Fiduciary Assets, Private Purpose Trust Accounts	4	48-49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	50
Schedule of Expenditures of Federal Awards	6	51-52
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 <u>Government Auditing Standards</u>		53-54
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		55-56
Schedule of Findings and Questioned Costs		57-60

Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Tom Greene	President	2008
Dennis Kuster	Vice-President	2009
Gary Imthurn	Board Member	2010
Scott Smith	Board Member	2010
Melanie Richardson	Board Member	2008
Donald Harter	Board Member	2009
Linda Garwood	Board Member	2009
<b>Board of Education (After September 2008 Election)</b>		
Scott Smith	President	2011*
Dennis Kuster	Vice-President (Resigned)	2009
Gary Imthurn	Board Member	2011*
Tom Greene	Board Member	2011
Melanie Richardson	Board Member	2011
Donald Harter	Board Member	2009
Linda Garwood	Board Member	2009
Darven Kendall	Board Member (Appointed)	2009
<b>School Officials</b>		
Lee Morrison	Superintendent	2009
Chris Van Meter	District Secretary/Treasurer and Business Manager	2009
Peter Paschler	Attorney	2009

\* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, 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, 2009, 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 audit provides a reasonable basis for our opinions.

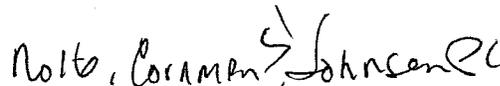
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Burlington Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2010 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 grant agreements and other matters. The purpose of that report is 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 41 through 43 are not required parts of the  
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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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions 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 the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2010

## BURLINGTON COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2009

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, 2009. We encourage readers to consider the information presented here in conjunction with the financial statements.

#### FINANCIAL HIGHLIGHTS

- The District's total net assets of governmental activities increased \$3,282,113. This is primarily due to the increase in net capital assets during the year and the increase in state and federal funding as compared to the previous year.
- General revenues accounted for \$38.3 million of the government-wide revenue, or 79.98% percent of all fiscal year 2009 revenues. Program specific revenues in the form of charges for services and grants, and contributions accounted for \$9.6 million or 20.02% percent of total fiscal year 2009 revenues.
- The District had approximately \$46.3 million in expenses related to governmental activities; of which \$9.6 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$38.6 million provided for the remaining costs of these programs.
- The District exceeded its published budget in one statutory budget line – support services (\$12,712). This was the result of shifting expenditures between statutory budget lines. The District did not exceed its total published budget.
- The General Fund had \$41.2 million in fiscal year 2009 revenues, which primarily consisted of state aid and property taxes, and \$41.2 million in expenditures. The General Fund's fund balance remained around the same as the previous year of \$4.5 million as of June 30, 2009.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) stayed the same as the previous year at approximately 10.3%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.
- The District issued \$18,500,000 in revenue bonds. The District's total bonded debt decreased by \$1,389,713 during the current fiscal year, due mainly to the payment of sales tax revenue bonds.
- Interest rates fell dramatically during the fiscal year. Interest revenue for the fiscal year was reduced approximately \$175,000.
- The State of Iowa enacted a 1.5% across the board cut in December 2008 effective with the January aid payments. This reduced basic state aid by \$306,000 and total state revenues by \$342,000.
- Medicaid revenue has increased substantially from the prior year due to billing for Medicaid eligible behavior diagnosis on special education students. During fiscal year 2009 the District billed \$1,173,551 and retained \$109,599. Medicaid revenue has to be used for the special education program and will be applied towards the special education deficit.

# BURLINGTON COMMUNITY SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2009

### 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 that 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 17 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 three categories: governmental funds, proprietary funds, and fiduciary 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, 2009

comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 21, 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 18 and 20 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 22 to 24 of this report.

***Fiduciary funds.*** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds. The District's Private-Purpose Trust Fund accounts for outside donations for scholarships for individual students in this fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on pages 25 to 26 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 27 to 40 of this report.

**BURLINGTON COMMUNITY SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2009

*Figure A-2*

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 revenues, expenses and changes in net assets  Statement of cash flows	Statement of fiduciary net assets  Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## BURLINGTON COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2009

**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 and the funding progress for the retiree health plan. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement and schedule of funding progress for the retiree health plan has been provided as required supplementary information. The required supplementary information can be found on page 41 to 43 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 \$52.8 million as of June 30, 2009.

A large portion of the District's net assets 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 \$22.2 million in long-term liabilities (see Note 4 on page 33-34); including revenue bonds, 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, 2009

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2009 (in thousands).

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>		<b>Total Change</b>
	<b>June 30, 2008</b>	<b>2009</b>	<b>June 30, 2008</b>	<b>2009</b>	<b>June 30, 2008</b>	<b>2009</b>	<b>June 30, 2008-2009</b>
Current assets	\$ 42,185	31,516	63	54	42,248	31,570	-25.27%
Capital assets, net	51,009	64,131	118	98	51,127	64,229	25.63%
<b>Total assets</b>	<b>93,194</b>	<b>95,647</b>	<b>181</b>	<b>152</b>	<b>93,375</b>	<b>95,799</b>	<b>2.60%</b>
Current liabilities	18,930	20,851	80	63	19,010	20,914	10.02%
Long-term liabilities	25,019	22,269	—	—	25,019	22,269	-10.99%
<b>Total liabilities</b>	<b>43,949</b>	<b>43,120</b>	<b>80</b>	<b>63</b>	<b>44,029</b>	<b>43,183</b>	<b>-1.92%</b>
Net assets:							
Invested in capital assets, net of related debt	36,295	45,631	118	98	36,413	45,729	25.58%
Restricted	12,242	5,821	—	—	12,242	5,821	-52.45%
Unrestricted	708	1,075	(17)	(9)	691	1,066	54.27%
<b>Total net assets</b>	<b>\$ 49,245</b>	<b>52,527</b>	<b>101</b>	<b>89</b>	<b>49,346</b>	<b>52,616</b>	<b>6.63%</b>

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

The additions (net of deletions) of \$13,121,007 in capital assets through capital construction, other school improvements, and purchases of furniture, equipment and vehicles were capitalized during the year.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2009 were \$49.6 million. The total cost of all programs and services was \$46.3 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2009 (in thousands).

## BURLINGTON COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2009

	Government Activities		Business Type Activities		Total District		Total Change
	2008	2009	2008	2009	2008	2009	2008-2009
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 1,346	1,594	542	620	1,888	2,214	17.27%
Operating grants and contributions	6,393	7,983	1,021	1,116	7,414	9,099	22.73%
General revenues:							
Property taxes	12,055	12,434	—	—	12,055	12,434	3.14%
Sales tax, capital projects	4,409	4,204	—	—	4,409	4,204	-4.65%
Unrestricted investment earnings	1,095	548	—	—	1,095	548	-49.95%
Unrestricted state grants	21,268	21,154	—	—	21,268	21,154	-0.54%
Other	265	184	2	1	267	185	-30.71%
Transfers	—	(268)	—	—	—	(268)	-100.00%
<b>Total revenues</b>	<b>46,831</b>	<b>47,833</b>	<b>1,565</b>	<b>1,737</b>	<b>48,396</b>	<b>49,570</b>	<b>2.43%</b>
<b>Expenses:</b>							
Instructional	28,877	29,093	—	—	28,877	29,093	0.75%
Support services:							
Student	1,557	1,742	—	—	1,557	1,742	11.88%
Instructional staff	976	992	—	—	976	992	1.64%
Administration	4,297	4,337	25	31	4,322	4,368	1.06%
Operation and maintenance of plant	3,036	3,085	3	—	3,039	3,085	1.51%
Transportation	1,056	1,062	—	—	1,056	1,062	0.57%
Non-instructional programs	133	96	1,590	1,718	1,723	1,814	5.28%
Other expenditures:							
Facilities acquisitions	454	172	—	—	454	172	-62.11%
Long-term debt interest	658	1,439	—	—	658	1,439	118.69%
AEA flowthrough	1,570	1,641	—	—	1,570	1,641	4.52%
Depreciation(unallocated)	897	892	—	—	897	892	-0.56%
<b>Total expenses</b>	<b>43,511</b>	<b>44,551</b>	<b>1,618</b>	<b>1,749</b>	<b>45,129</b>	<b>46,300</b>	<b>2.59%</b>
Change in net assets	3,320	3,282	(53)	(12)	3,267	3,270	0.09%
Beginning net assets	45,925	49,245	154	101	46,079	49,346	7.09%
Ending net assets	\$ 49,245	52,527	101	89	49,346	52,616	6.63%

#### Governmental Activities

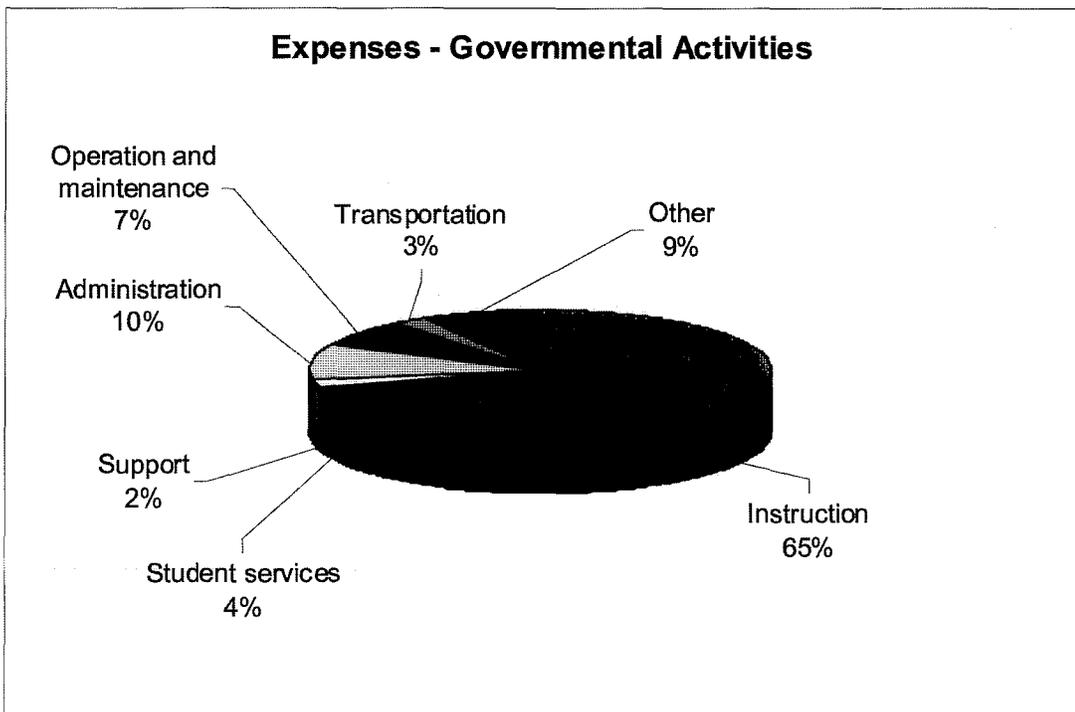
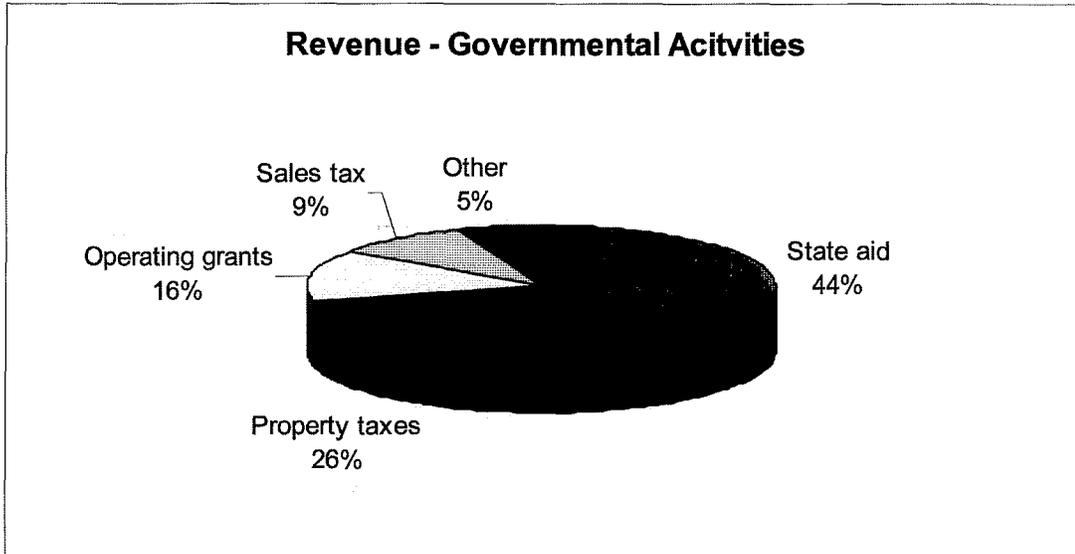
Unrestricted state grants, property taxes, and sales tax are the primary sources of revenue for the District. Revenues and expenditures were on target with projections with adjustments per known changes during in the year.

Instruction constitutes the largest portion of expenditures at \$29.1 million or 65.31%. 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 9.74% of total costs.

**BURLINGTON COMMUNITY SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2009



## BURLINGTON COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2009

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		
	2008	2009	% Change	2008	2009	% Change
Instructional	\$ 28,877	29,093	0.75%	(22,735)	(21,159)	-6.93%
Support services:						
Student services	1,557	1,742	11.88%	(1,557)	(1,742)	11.88%
Instructional staff services	976	992	1.64%	(976)	(992)	1.64%
Administration services	4,297	4,337	0.93%	(4,297)	(4,337)	0.93%
Operation and maintenance	3,036	3,085	1.61%	(3,036)	(3,085)	1.61%
Transportation services	1,056	1,062	0.57%	(1,029)	(1,061)	3.11%
Non-instructional programs	133	96	-27.82%	(133)	(96)	-27.82%
Other expenditures:						
Facilities acquisitions	454	172	-62.11%	(454)	(172)	-62.11%
Long-term debt interest	658	1,439	118.69%	(658)	(1,439)	118.69%
AEA flowthrough	1,570	1,641	4.52%	—	—	—
Depreciation(unallocated)	897	892	-0.56%	(897)	(892)	-0.56%
Total expenses	\$ 43,511	44,551	2.39%	(35,772)	(34,975)	-2.23%

- The cost of all governmental activities this year was \$44.6 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$7.9 million.
- Net cost of governmental activities (\$35.0 million) was financed by general revenues, which are made up of primarily property and sales tax (\$16.6 million) and state aid (\$21.2 million). Investment earnings, gain on sale of property and miscellaneous sources accounted for \$0.7 million.

#### **Business type Activities**

Revenues of the District's business type activities were \$1,736,344 and expenses were \$1,749,402. 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 employment climate of the District. The School Nutrition fund had a decrease in net assets of \$13,055 for fiscal year 2009.

# BURLINGTON COMMUNITY SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2009

### 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 \$2,486. 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:

- \$2,919 for At Risk Supplemental Weighting
- \$6,012 for Market Factor Incentives
- \$9,942 for Beginning Teacher Mentoring
- \$12,520 for Gifted and Talented
- \$54,064 for Additional Salary, Professional Development
- \$1,960 for Beginning Administrator Mentoring Program
- \$62,355 for Model Core Curriculum
- \$30,866 for Salary Improvement Program
- \$2,836 for State Decategorization Grant (D-CAT)
- \$47,500 for Home School Assistance Program (HSAP)

### 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. 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 41 and 42.

#### Legal Budgetary Highlights

The District's total actual receipts were \$1,447,012 more than the total budgeted receipts, a variance of 2.99% for the reasons noted above.

## BURLINGTON COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2009

Total expenditures were approximately \$1.5 million less than total budgeted expenditures, a variance of 1.85%. Because of uncertainty with mandated changes by the Department of Education, the budget was increased in certain areas, but not reduced in other areas.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2009, the District had invested \$64.2 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 \$14,506,607 from last year, primarily due to the construction and renovation projects in the District's ten-year construction plan. Currently the District has construction taking place at the North Hill and Oak Street school buildings. Total depreciation expense for the year was \$1,547,669.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2009 (in thousands).

	Governmental Activities		Business type Activities		Total		% Change
	2008	2009	2008	2009	2008	2009	
Land and improvements	\$ 2,890	2,997	—	—	2,890	2,997	3.70%
Buildings and improvements	32,593	31,730	—	—	32,593	31,730	-2.65%
Vehicles, furniture and equipment	2,726	2,964	118	98	2,844	3,062	7.67%
Construction in progress	12,801	26,440	—	—	12,801	26,440	106.55%
Total	\$ 51,010	64,131	118	98	51,128	64,229	25.62%

Additional information on the District's capital assets can be found in Note 4 on page 33 to 34 of this report.

**Debt Administration.** At year-end, the District had \$22,269,043 in other long-term debt outstanding, of which \$936,010 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, 2009.

	Amount		% Change
	2008	2009	
Revenue Bonds	\$ 19,889,713	18,500,000	-7.0%
Quality Zone Academy Bonds	668,000	—	-100.0%
Early Retirement	4,306,287	3,611,470	-16.1%
Compensated Absences	154,944	139,613	-9.9%
Net OPEB liability	—	17,960	100.0%
Total	\$ 25,018,944	22,269,043	-11.0%

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 \$40,041,052 which is more than the District's outstanding general obligation debt.

## **BURLINGTON COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

June 30, 2009

Additional information on the District's long-term debt can be found in Note 5 on page 35 to 36 of this report.

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- On October 8, 2009, Governor Culver announced a 10% reduction in state general fund appropriations. This reduces revenues to the Burlington School District for the 2008-09 fiscal year by approximately \$2,300,000.
- The 2009 General Assembly established allowable growth at 2% for school districts for the 2009-2010 fiscal year. However, the state is facing a \$500-\$700 million shortfall for the 2010-2011 fiscal year. It is possible that the allowable growth figure may be adjusted downward resulting in less new revenue for the District.
- The District will issue an additional \$13.3 million in sales tax revenue bonds to finance construction of a new middle school.
- The state reduced state aid by \$2,221,379 for fiscal year 2010. They replaced \$1,933,238 with one time federal stimulus funds and did not fund the \$288,141 across-the-board reduction from December 2008. In addition, the state eliminated the state appropriation for the instruction support levy (\$223,298) and replaced it with one time federal stimulus funds (\$190,392).

### **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 52601.

BASIC FINANCIAL STATEMENTS

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,604,996	12,395	16,617,391
Receivables:			
Property tax:			
Delinquent	200,554	0	200,554
Succeeding year	13,078,265	0	13,078,265
Accounts	1,811	1,903	3,714
Due from other governments	1,630,837	3,401	1,634,238
Prepaid expenses	21	0	21
Inventories	0	36,426	36,426
Capital assets, net of accumulated depreciation	64,130,675	97,919	64,228,594
<b>TOTAL ASSETS</b>	<b>95,647,159</b>	<b>152,044</b>	<b>95,799,203</b>
<b>LIABILITIES</b>			
Accounts payable	1,607,901	9,859	1,617,760
Retainage payable	1,113,365	0	1,113,365
Accrued interest payable	307,193	0	307,193
Salaries and benefits payable	4,365,235	40,655	4,405,890
Due to other governments	92,757	0	92,757
Deferred revenue:			
Succeeding year property tax	13,078,265	0	13,078,265
Other	286,244	0	286,244
Unearned revenue	0	13,301	13,301
Long-term liabilities:			
Portion due within one year:			
Early retirement	796,397	0	796,397
Compensated absences	139,613	0	139,613
Portion due after one year:			
Revenue bonds	18,500,000	0	18,500,000
Early retirement	2,815,073	0	2,815,073
Net OPEB liability	17,856	104	17,960
<b>TOTAL LIABILITIES</b>	<b>43,119,899</b>	<b>63,919</b>	<b>43,183,818</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,630,675	97,919	45,728,594
Restricted for:			
Categorical funding	230,974	0	230,974
Capital projects	1,724,911	0	1,724,911
Debt service	2,924,630	0	2,924,630
Physical plant and equipment levy	520,647	0	520,647
Other special revenue purposes	419,689	0	419,689
Unrestricted	1,075,734	(9,794)	1,065,940
<b>TOTAL NET ASSETS</b>	<b>\$ 52,527,260</b>	<b>88,125</b>	<b>52,615,385</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 18,251,266	588,381	6,074,265	(11,588,620)	0	(11,588,620)
Special	7,026,127	535,294	267,570	(6,223,263)	0	(6,223,263)
Other	3,816,047	469,434	0	(3,346,613)	0	(3,346,613)
	<u>29,093,440</u>	<u>1,593,109</u>	<u>6,341,835</u>	<u>(21,158,496)</u>	<u>0</u>	<u>(21,158,496)</u>
Support services:						
Student	1,742,136	0	0	(1,742,136)	0	(1,742,136)
Instructional staff	992,186	0	0	(992,186)	0	(992,186)
Administration	4,337,257	0	0	(4,337,257)	0	(4,337,257)
Operation and maintenance of plant	3,085,188	0	0	(3,085,188)	0	(3,085,188)
Transportation	1,061,613	1,100	0	(1,060,513)	0	(1,060,513)
	<u>11,218,380</u>	<u>1,100</u>	<u>0</u>	<u>(11,217,280)</u>	<u>0</u>	<u>(11,217,280)</u>
Non-instructional programs:						
Food service operations	13,375	0	0	(13,375)	0	(13,375)
Community service and education operations	14,856	0	0	(14,856)	0	(14,856)
Operation of non-instructional programs	68,009	0	0	(68,009)	0	(68,009)
	<u>96,240</u>	<u>0</u>	<u>0</u>	<u>(96,240)</u>	<u>0</u>	<u>(96,240)</u>
Other expenditures:						
Facilities acquisitions	172,004	0	0	(172,004)	0	(172,004)
Long-term debt interest	1,439,001	0	0	(1,439,001)	0	(1,439,001)
AEA flowthrough	1,640,819	0	1,640,819	0	0	0
Depreciation (unallocated)*	892,255	0	0	(892,255)	0	(892,255)
	<u>4,144,079</u>	<u>0</u>	<u>1,640,819</u>	<u>(2,503,260)</u>	<u>0</u>	<u>(2,503,260)</u>
Total governmental activities	<u>44,552,139</u>	<u>1,594,209</u>	<u>7,982,654</u>	<u>(34,975,276)</u>	<u>0</u>	<u>(34,975,276)</u>
Business type activities:						
Support services:						
Administration	31,031	0	0	0	(31,031)	(31,031)
Operation and maintenance of plant	229	0	0	0	(229)	(229)
	<u>31,260</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(31,260)</u>	<u>(31,260)</u>
Non-instructional programs:						
Food services operations	1,718,142	619,804	1,115,998	0	17,660	17,660
	<u>1,749,402</u>	<u>619,804</u>	<u>1,115,998</u>	<u>0</u>	<u>(13,600)</u>	<u>(13,600)</u>
Total business type activities	<u>1,749,402</u>	<u>619,804</u>	<u>1,115,998</u>	<u>0</u>	<u>(13,600)</u>	<u>(13,600)</u>
Total	\$ <u>46,301,541</u>	<u>2,214,013</u>	<u>9,098,652</u>	<u>(34,975,276)</u>	<u>(13,600)</u>	<u>(34,988,876)</u>
<b>General Revenues and transfers:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 11,631,683	0	11,631,683
Capital outlay				802,383	0	802,383
Statewide sales and services tax				4,204,453	0	4,204,453
Unrestricted state grants				21,154,232	0	21,154,232
Unrestricted investment earnings				548,389	545	548,934
Other				184,264	0	184,264
Transfers				(268,015)	0	(268,015)
Total general revenues and transfers				<u>38,257,389</u>	<u>545</u>	<u>38,257,934</u>
Changes in net assets				3,282,113	(13,055)	3,269,058
Net assets beginning of year				49,245,147	101,180	49,346,327
Net assets end of year				\$ <u>52,527,260</u>	<u>88,125</u>	<u>52,615,385</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.  
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 8,616,956	4,007,031	2,136,379	1,461,952	16,222,318
Receivables:					
Property tax					
Delinquent	171,467	0	0	29,087	200,554
Succeeding year	10,986,324	0	0	2,091,941	13,078,265
Accounts	1,619	0	0	192	1,811
Due from other governments	1,018,209	612,459	0	169	1,630,837
Prepaid expenses	0	0	0	21	21
<b>Total assets</b>	<b>\$ 20,794,575</b>	<b>4,619,490</b>	<b>2,136,379</b>	<b>3,583,362</b>	<b>31,133,806</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 589,523	992,963	0	25,415	1,607,901
Retainage payable	0	1,113,365	0	0	1,113,365
Salaries and benefits payable	4,365,235	0	0	0	4,365,235
Due to other governments	92,757	0	0	0	92,757
Deferred revenue:					
Succeeding year property tax	10,986,324	0	0	2,091,941	13,078,265
Other	286,244	0	0	0	286,244
<b>Total liabilities</b>	<b>16,320,083</b>	<b>2,106,328</b>	<b>0</b>	<b>2,117,356</b>	<b>20,543,767</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Categorical funding	230,974	0	0	0	230,974
Debt service	0	788,251	2,136,379	0	2,924,630
<b>Unreserved:</b>					
Total fund balances	4,474,492	2,513,162	2,136,379	1,466,006	10,590,039
<b>Total liabilities and fund balances</b>	<b>\$ 20,794,575</b>	<b>4,619,490</b>	<b>2,136,379</b>	<b>3,583,362</b>	<b>31,133,806</b>

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, 2009

<b>Total fund balances of governmental funds (page 18)</b>	\$ 10,590,039
 <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.	64,130,675
Blending of the Internal Service Fund to be reflected at an entity-wide basis.	382,678
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.	(307,193)
Long-term liabilities, including revenue bonds payable, compensated absences, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(22,268,939)</u>
<b>Net assets of governmental activities (page 16)</b>	<u><u>\$ 52,527,260</u></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, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>Revenues:</b>					
Local sources:					
Local tax:	\$ 10,679,488	4,204,453	0	1,754,578	16,638,519
Tuition	877,646	0	0	0	877,646
Other	468,007	451,036	45,408	497,962	1,462,413
Intermediate sources	11,245	0	0	0	11,245
State sources	25,980,006	0	0	1,704	25,981,710
Federal sources	3,143,931	0	0	0	3,143,931
<b>Total revenues</b>	<b>41,160,323</b>	<b>4,655,489</b>	<b>45,408</b>	<b>2,254,244</b>	<b>48,115,464</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	18,436,543	0	0	629,309	19,065,852
Special	7,026,127	0	0	0	7,026,127
Other	3,344,042	0	0	495,993	3,840,035
	28,806,712	0	0	1,125,302	29,932,014
Support services:					
Student	1,732,209	0	0	8,758	1,740,967
Instructional staff	950,421	0	0	3,562	953,983
Administration	4,269,142	0	0	144,759	4,413,901
Operation and maintenance of plant	2,972,578	0	0	130,894	3,103,472
Transportation	785,463	0	0	310,436	1,095,899
	10,709,813	0	0	598,409	11,308,222
Non-instructional programs:					
Food service operations	0	0	0	13,375	13,375
Community service and education operations	14,856	0	0	0	14,856
	14,856	0	0	13,375	28,231
Other expenditures:					
Facilities acquisitions	0	13,783,847	0	187,883	13,971,730
Long-term debt:					
Principal	0	0	20,557,713	0	20,557,713
Interest and fiscal charges	0	0	1,263,199	0	1,263,199
AEA flowthrough	1,640,819	0	0	0	1,640,819
	1,640,819	13,783,847	21,820,912	187,883	37,433,461
<b>Total expenditures</b>	<b>41,172,200</b>	<b>13,783,847</b>	<b>21,820,912</b>	<b>1,924,969</b>	<b>78,701,928</b>
Excess(deficiency)of revenues over(under) expenditures	(11,877)	(9,128,358)	(21,775,504)	329,275	(30,586,464)
Other financing sources(uses):					
Transfers in	0	0	23,243,883	0	23,243,883
Transfers out	0	(23,243,883)	0	(268,015)	(23,511,898)
Proceeds from sale of equipment	7,562	0	0	0	7,562
Compensation on loss of fixed assets	1,829	0	0	0	1,829
Issuance of revenue bonds	0	18,500,000	0	0	18,500,000
<b>Total other financing sources(uses)</b>	<b>9,391</b>	<b>(4,743,883)</b>	<b>23,243,883</b>	<b>(268,015)</b>	<b>18,241,376</b>
Net change in fund balances	(2,486)	(13,872,241)	1,468,379	61,260	(12,345,088)
Fund balance beginning of year	4,476,978	16,385,403	668,000	1,404,746	22,935,127
Fund balance end of year	\$ 4,474,492	2,513,162	2,136,379	1,466,006	10,590,039

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, 2009

Net change in fund balances - total governmental funds (page 20) \$ (12,345,088)

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

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

Expenditures for capital assets	\$ 14,677,659	
Depreciation expense	(1,554,671)	
Loss on disposal of capital assets	<u>(1,981)</u>	13,121,007

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 and repayments are as follows:

Issued	\$ (41,743,883)	
Repaid	<u>43,801,596</u>	2,057,713

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	\$ 694,817	
Compensated absences	15,331	
Other postemployment benefits	<u>(17,856)</u>	692,292

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (68,009)

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. (175,802)

Changes in net assets of governmental activities (page 17) \$ 3,282,113

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,395	382,678
Accounts receivable	1,903	0
Due from other governments	3,401	0
Inventories	36,426	0
Total current assets	<u>54,125</u>	<u>382,678</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	97,919	0
Total assets	<u>152,044</u>	<u>382,678</u>
Liabilities		
Current liabilities:		
Accounts payable	9,859	0
Salaries and benefits payable	40,655	0
Unearned revenue	13,301	0
Long-term liabilities:		
Net OPEB liability	104	0
Total liabilities	<u>63,919</u>	<u>0</u>
Net assets		
Investment in capital assets	97,919	0
Unrestricted	(9,794)	382,678
Total net assets	<u>\$ 88,125</u>	<u>382,678</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, 2009

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 619,804	5,813,071
Operating expenses:		
Support services:		
Administration:		
Salaries	13,011	0
Benefits	5,008	0
Services	2,180	0
Supplies	10,832	0
	<u>31,031</u>	<u>0</u>
Operation and maintenance of plant:		
Services	229	0
Total support services	<u>31,260</u>	<u>0</u>
Non-instructional programs:		
Food service operations:		
Salaries	567,371	0
Benefits	115,869	0
Services	78	0
Supplies	1,014,761	0
Depreciation	19,998	0
Other	65	0
	<u>1,718,142</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	5,881,080
Total non-instructional programs	<u>1,718,142</u>	<u>5,881,080</u>
Total operating expenses	<u>1,749,402</u>	<u>5,881,080</u>
Operating loss	<u>(1,129,598)</u>	<u>(68,009)</u>
Non-operating revenues:		
State sources	20,289	0
Federal sources	1,095,709	0
Interest income	545	0
Total non-operating revenues	<u>1,116,543</u>	<u>0</u>
Changes in net assets	(13,055)	(68,009)
Net assets beginning of year	<u>101,180</u>	<u>450,687</u>
Net assets end of year	<u>\$ 88,125</u>	<u>382,678</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 554,208	0
Cash received from miscellaneous operating activities	62,784	5,813,071
Cash payments to employees for services	(696,695)	(5,881,080)
Cash payments to suppliers for goods or services	(927,344)	0
Net cash used in operating activities	<u>(1,007,047)</u>	<u>(68,009)</u>
Cash flows from non-capital financing activities:		
State grants received	20,289	0
Federal grants received	998,038	0
Net cash provided by non-capital financing activities	<u>1,018,327</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	545	0
Net increase(decrease)in cash and cash equivalents	11,825	(68,009)
Cash and cash equivalents at beginning of year	570	450,687
Cash and cash equivalents at end of year	<u>\$ 12,395</u>	<u>382,678</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,129,598)	(68,009)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	94,270	0
Depreciation	19,998	0
Decrease in inventories	22,116	0
Decrease in accounts receivable	1,835	0
Decrease in accounts payable	(15,585)	0
Increase in salaries and benefits payable	4,460	0
Decrease in unearned revenue	(4,647)	0
Increase in other postemployment benefits	104	0
Net cash used in operating activities	<u>\$ (1,007,047)</u>	<u>(68,009)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	<u>\$ 12,395</u>	<u>382,678</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		

During the year ended June 30, 2009, the District received Federal commodities valued at \$94,270.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 179,609
Accounts receivable	7,279
TOTAL ASSETS	<u>186,888</u>
LIABILITIES	
Accounts payable	521
TOTAL LIABILITIES	<u>521</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 186,367</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 23,942
Interest income	3,523
Other	111,941
TOTAL ADDITIONS	<u>139,406</u>
DEDUCTIONS:	
Instruction:	
Regular	<u>1,431</u>
Support Services:	
Administration	<u>3,225</u>
Non-instructional:	
Other Enterprise operations:	
Benefits	43,803
Services	1,146
Supplies	171,174
Other	275
	<u>216,398</u>
TOTAL DEDUCTIONS	<u>221,054</u>
Change in net assets before other financing sources	(81,648)
OTHER FINANCING SOURCES:	
Transfer in	<u>268,015</u>
Change in net assets	186,367
Net assets beginning of year	<u>0</u>
Net assets end of year	<u>\$ 186,367</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

**(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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the 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 service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Capital assets are depreciated using the straight line method over the following estimated useful lives:

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

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized

since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in 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.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Enterprise, School Nutrition Fund.

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, 2009. 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 Balances - 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. During the year ended June 30, 2009, District expenditures in the support services function exceeded the budgeted amount.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 13,460,800

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.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 23,243,883
Private-Purpose Trust	Special Revenue, Expendable Trust	<u>268,015</u>
Total		<u>\$ 23,511,898</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, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 516,619	0	10,006	506,613
Less accumulated depreciation	398,702	19,998	10,006	408,694
Business type activities capital assets, net	<u>\$ 117,917</u>	<u>(19,998)</u>	<u>0</u>	<u>97,919</u>

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,645,685	140,754	0	2,786,439
Construction in progress	12,801,246	13,638,365	0	26,439,611
Total capital assets not being depreciated	15,446,931	13,779,119	0	29,226,050
Capital assets being depreciated:				
Buildings	43,266,285	0	0	43,266,285
Land improvements	686,290	0	0	686,290
Machinery and equipment	13,198,117	898,540	161,046	13,935,611
Total capital assets being depreciated	57,150,692	898,540	161,046	57,888,186
Less accumulated depreciation for:				
Buildings	10,673,658	862,285	0	11,535,943
Land improvements	441,857	34,314	0	476,171
Machinery and equipment	10,472,440	658,072	159,065	10,971,447
Total accumulated depreciation	21,587,955	1,554,671	159,065	22,983,561
Total capital assets being depreciated, net	35,562,737	(656,131)	1,981	34,904,625
Governmental activities capital assets, net	\$ 51,009,668	13,122,988	1,981	64,130,675

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 371,047
Support services:	
Student	129
Administration	55,861
Operation and maintenance	72,102
Transportation	163,277
	662,416
Unallocated depreciation	892,255
Total governmental activities depreciation expense	\$ 1,554,671
Business type activities:	
Food services	\$ 19,998

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 19,889,713	18,500,000	19,889,713	18,500,000	0
QZAB Bonds	668,000	0	668,000	0	0
Early Retirement	4,306,287	535,768	1,230,585	3,611,470	796,397
Compensated Absences	154,944	139,613	154,944	139,613	139,613
Net OPEB liability	0	17,856	0	17,856	0
<b>Total</b>	<b>\$ 25,018,944</b>	<b>19,193,237</b>	<b>21,943,242</b>	<b>22,268,939</b>	<b>936,010</b>
Business type activities:					
Net OPEB liability	\$ 0	104	0	104	0

Revenue Bonds

Details of the District's June 30, 2009 revenue bonded indebtedness is as follows:

Bond issue of March 1, 2009					Bond issue of March 1, 2009					Total		
Series A					Series B							
Year Ending June 30,	Interest Rate	Principal	Interest	Total	Year Ending June 30,	Interest Rate	Principal	Interest	Total	Principal	Interest	Total
2010	5.00 %	\$ 0	416,720	416,720	2010	4.96 %	\$ 0	351,261	351,261	0	767,981	767,981
2011	5.00	0	500,064	500,064	2011	4.96	0	421,514	421,514	0	921,578	921,578
2012	5.00	0	500,064	500,064	2012	4.96	0	421,514	421,514	0	921,578	921,578
2013	5.00	0	500,064	500,064	2013	4.96	0	421,514	421,514	0	921,578	921,578
2014	5.00	0	500,064	500,064	2014	4.96	0	421,514	421,514	0	921,578	921,578
2015-2019	5.00	0	2,500,320	2,500,320	2015-2019	4.96	0	2,107,570	2,107,570	0	4,607,890	4,607,890
2020-2024	4.38-4.80	3,205,000	2,315,165	5,520,165	2020-2024	4.60-4.80	2,285,000	1,959,475	4,244,475	5,490,000	4,274,640	9,764,640
2025-2030	4.90-5.35	6,795,000	1,297,930	8,092,930	2025-2030	4.90-5.15	6,215,000	993,438	7,208,438	13,010,000	2,291,368	15,301,368
<b>Total</b>		<b>\$ 10,000,000</b>	<b>8,530,391</b>	<b>18,530,391</b>			<b>\$ 8,500,000</b>	<b>7,097,800</b>	<b>15,597,800</b>	<b>18,500,000</b>	<b>15,628,191</b>	<b>34,128,191</b>

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$18,500,000 of bonds issued in March 1, 2009. The bonds were issued for the purpose of building and furnishing a new middle school, and refunding outstanding project notes issued for said purpose. The bonds are payable solely from the proceeds of local option (statewide) sales and services tax revenues received by the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of local option (statewide) sales and services tax revenues. The total principal and interest remaining

Annual principal and interest payments on the bonds are expected to require nearly 100 percent of local option(statewide)sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$34,128,191. For the current year, no principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$4,204,453.

The resolution providing for the issuance of the local option(statewide) sales and services tax revenue bonds includes the following provisions:

- a) \$1,850,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the local option(statewide)sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

#### Early Retirement

The District offers a voluntary early retirement plan to its full-time licensed employees and to non-licensed supervisors on the administration team who have been employed on regular contracts during the fiscal 2009 year. Eligible employees must be at least age fifty-five and have completed ten consecutive years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. Employees that have District insurance benefits may continue benefits upon retirement. The District will contribute the lesser of the premium for single coverage or two percent of the employee's salary as of the last day of fiscal 2009. Coverage on the District's plan will cease upon employee nonpayment of the balance of any outstanding premiums, death of the employee or once the employee has reached the eligible age for Medicare. Early retirement benefits paid during the year ended June 30, 2009, totaled \$1,230,585.

#### **(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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$1,535,325, \$1,387,599 and \$1,248,086 respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 540 active and 115 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 771,679
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>771,679</u>
Contributions made	(753,719)
Increase in net OPEB obligation	<u>17,960</u>
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 17,960</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$753,719 to the medical plan. Plan members eligible for benefits contributed \$287,982, or 27% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 771,679	97.67%	\$ 17,960

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$7,818,097, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,818,097. The covered payroll (annual payroll of active employees covered by the plan) was \$19,546,207, and the ratio of the UAAL to covered payroll was 40%. As of June 30, 2009 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon recent Burlington Community School District experience. Termination probabilities

School District.

Projected claim costs of the medical plan are \$781 per month for retirees at the weighted average age 62. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) 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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,640,819 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitment**

The District has entered into contracts totaling \$28,462,368 for construction of the North Hill and Oak Street school buildings. As of June 30, 2009, costs of \$26,439,611 had been incurred against the contracts. The balance of \$2,022,757 remaining at June 30, 2009 will be paid as work on the project progresses.

**(11) Budget Overexpenditure**

During the year ended June 30, 2009, District expenditures in the support services function exceeded the budgeted amounts.

**(12) Deficit Fund Balance**

At June 30, 2009, there was a deficit unrestricted fund balance in the Enterprise, Nutrition Fund of \$9,794.

(13) Categorical Funding

Categorical funding balances for the District as of June 30, 2009 were as follows:

<u>Project</u>	<u>Amount</u>
At-Risk Supplemental Weighting	\$ 2,919
Market Factor Incentives	6,012
Beginning Teacher Mentoring	9,942
Gifted and Talented	12,520
Professional Development	54,064
Beginning Administrator and Mentoring	1,960
Model Core Curriculum	62,355
Salary Improvement	30,866
State Decategorization Grant (D-CAT)	2,836
Home School Assistance Program (HSAP)	47,500
Total	<u>\$ 230,974</u>



BURLINGTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 18,978,578	620,349	19,598,927	18,982,821	18,982,821	616,106
Intermediate sources	11,245	0	11,245	0	0	11,245
State sources	25,981,710	20,289	26,001,999	26,253,978	26,253,978	(251,979)
Federal sources	3,143,931	1,095,709	4,239,640	3,168,000	3,168,000	1,071,640
Total revenues	48,115,464	1,736,347	49,851,811	48,404,799	48,404,799	1,447,012
<b>Expenditures/Expenses:</b>						
Instruction	29,932,014	0	29,932,014	29,334,380	30,334,381	402,367
Support services	11,308,222	31,260	11,339,482	11,026,772	11,326,770	(12,712)
Non-instructional programs	28,231	1,718,142	1,746,373	1,696,730	1,896,730	150,357
Other expenditures	37,433,461	0	37,433,461	37,381,554	38,381,554	948,093
Total expenditures/expenses	78,701,928	1,749,402	80,451,330	79,439,436	81,939,435	1,488,105
Deficiency of revenues under expenditures/expenses	(30,586,464)	(13,055)	(30,599,519)	(31,034,637)	(33,534,636)	2,935,117
Other financing sources, net	18,241,376	0	18,241,376	18,565,000	18,565,000	(323,624)
Deficiency of revenues and other financing sources under expenditures/expenses	(12,345,088)	(13,055)	(12,358,143)	(12,469,637)	(14,969,636)	2,611,493
Balance beginning of year	22,935,127	101,180	23,036,307	20,183,602	20,183,602	2,852,705
Balance end of year	\$ 10,590,039	88,125	10,678,164	7,713,965	5,213,966	5,464,198

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2009, the District adopted one budget amendment increasing budgeted expenditures by \$2,499,999.

During the year ended June 30, 2009, District expenditures in the support services function exceeded the budgeted amount.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ 0	\$ 7,818,097	\$ 7,818,097	0.00%	\$ 19,546,207	40.00%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2009

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>Assets</b>				
Cash and pooled investments	\$ 520,589	434,590	506,773	1,461,952
Receivables:				
Property tax				
Delinquent	15,288	0	13,799	29,087
Succeeding year	1,249,996	0	841,945	2,091,941
Accounts	192	0	0	192
Due from other governments	94	0	75	169
Prepaid expenses	0	21	0	21
<b>Total assets</b>	<b>\$ 1,786,159</b>	<b>434,611</b>	<b>1,362,592</b>	<b>3,583,362</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 10,493	14,922	0	25,415
Deferred revenue:				
Succeeding year property tax	1,249,996	0	841,945	2,091,941
Total liabilities	1,260,489	14,922	841,945	2,117,356
Unreserved fund balances	525,670	419,689	520,647	1,466,006
<b>Total liabilities and fund balances</b>	<b>\$ 1,786,159</b>	<b>434,611</b>	<b>1,362,592</b>	<b>3,583,362</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds				Total Special Revenue Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	
Revenues:					
Local sources:					
Local tax	\$ 952,195	0	802,383	0	1,754,578
Other	27,292	464,548	6,122	0	497,962
State sources	948	0	756	0	1,704
Total revenues	980,435	464,548	809,261	0	2,254,244
Expenditures:					
Current:					
Instruction:					
Regular	629,309	0	0	0	629,309
Other	0	495,993	0	0	495,993
Support services:					
Student	8,758	0	0	0	8,758
Instructional staff	3,562	0	0	0	3,562
Administration	144,309	450	0	0	144,759
Operation and maintenance of plant	130,894	0	0	0	130,894
Transportation	60,199	0	250,237	0	310,436
Non-instructional programs:					
Food service operations	13,375	0	0	0	13,375
Other expenditures:					
Facilities acquisition	0	0	187,883	0	187,883
Total expenditures	990,406	496,443	438,120	0	1,924,969
Excess(deficiency)of revenues over(under) expenditures	(9,971)	(31,895)	371,141	0	329,275
Other financing uses:					
Transfer out	0	0	0	(268,015)	(268,015)
Net change in fund balances	(9,971)	(31,895)	371,141	(268,015)	61,260
Fund balances beginning of year	535,641	451,584	149,506	268,015	1,404,746
Fund balances end of year	\$ 525,670	419,689	520,647	0	1,466,006

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>SYSTEM WIDE:</b>				
BUSINESS ACCOUNTS	\$ 411	0	150	261
<b>UNIVERSITY HIGH SCHOOL:</b>				
ACTIVITY	1,277	480	642	1,115
<b>SENIOR HIGH SCHOOL:</b>				
ACTIVITY	9,402	5,558	10,114	4,846
DRAMA	0	7,417	4,469	2,948
CHORAL	1,177	60	1,237	0
PURPLE AIRES	3,371	355	0	3,726
ORCHESTRA/CHAMBER	5,150	17,192	16,756	5,586
BAND/COLOR GUARD	1,785	1,590	2,670	705
JAZZ BAND	5	100	0	105
MUSIC/DRAMA	5,314	1,384	1,206	5,492
MIDDLE SCHOOL ATHLETICS	10,019	15,197	16,408	8,808
FUTURE GRAYHOUND BBALL	5,097	0	0	5,097
GENERAL ATHLETICS	85,214	81,370	85,049	81,535
CHEERLEADERS	3,620	2,761	5,185	1,196
FUTURE GRAYHOUND SWIMMING	9,009	1,061	1,308	8,762
ART CLUB	8,675	580	560	8,695
KIWANIS KEY CLUB	2,186	2,451	3,167	1,470
PURPLE AND GRAY	0	798	798	0
INTERNATIONAL CLUB	0	4,214	3,963	251
PATHFINDER	24,297	28,666	29,212	23,751
ECOLOGY CLUB	2,634	344	94	2,884
SADD	2,996	1,540	1,809	2,727
VARSITY CLUB	4,519	19,565	20,724	3,360
SENIOR COLOR SEL	997	0	480	517
RENAISSANCE SCHOLARSHIP	35	0	0	35
RENAISSANCE STORE	6,368	21,439	27,807	0
CLASS OF 2006	13	0	0	13
CLASS OF 2008	17,717	386	3,000	15,103
CLASS OF 2009	3,299	1,571	573	4,297
CLASS OF 2010	52	6,891	4,733	2,210
CLASS OF 2011	294	39	134	199
NATIONAL HONOR SOCIETY	303	1,128	885	546
STUDENT COUNCIL	23,292	25,347	22,047	26,592
HERO	2,033	568	1,576	1,025
IA CLUB	414	0	0	414
TECHNOLOGY STUDENT	2,990	1,238	1,322	2,906

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>SENIOR HIGH (CONTINUED):</b>				
DECA	4,125	13,987	13,098	5,014
BPA CLUB	121	0	0	121
SELF-CONTAINED FUNDRAISER	263	0	0	263
<b>BOYS ATHLETICS:</b>				
BASKETBALL	37,105	17,042	17,618	36,529
FOOTBALL	31,381	33,232	31,515	33,098
SWIMMING	3,528	3,409	5,085	1,852
WRESTLING	1,694	7,870	7,545	2,019
TRACK	2,132	8,686	10,728	90
CROSS COUNTRY TRACK	334	4,095	3,338	1,091
BASEBALL	0	19,607	19,607	0
TENNIS	740	381	668	453
GOLF	489	2,025	1,011	1,503
SOCCER	1,601	7,363	6,954	2,010
<b>GIRLS ATHLETICS:</b>				
SOCCER	1,446	1,000	1,693	753
BASKETBALL	17,699	8,772	4,898	21,573
VOLLEYBALL	3,975	5,552	4,423	5,104
SWIMMING	5,313	4,231	3,355	6,189
SOFTBALL	0	8,965	8,965	0
TRACK	780	5,062	4,739	1,103
TENNIS	1,098	200	538	760
GOLF	2,600	825	844	2,581
TOTAL HIGH SCHOOL	349,299	397,556	403,794	343,061
JAMES MADISON	23,886	26,772	29,680	20,978
OAK STREET	27,689	14,970	26,682	15,977
CENTRAL AVENUE	1,528	0	0	1,528
CORSE	2,521	2,784	2,892	2,413
BLACK HAWK	8,065	5,366	6,591	6,840
GRIMES	13,896	2,043	6,324	9,615
NORTH HILL	295	1,560	590	1,265
PERKINS	730	0	0	730
SUNNYSIDE	12,585	7,459	8,984	11,060
Total	\$ 451,584	464,548	496,443	419,689

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS, PRIVATE PURPOSE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Beginning				Ending Net Assets
	Net Assets	Additions	Deductions	Transfers	
HEALTH/FITNESS PROGRAM	\$ 0	37	37	0	0
NEEDY STUDENT	0	0	654	2,607	1,953
MISC CENTRAL OFFICE	0	0	0	3,444	3,444
MARIE WEDERTZ MUSICAL	0	0	0	5,235	5,235
GUEGLER TRUST	0	2,800	0	4,839	7,639
JOHN H WITTE FOUNDATION	0	0	111,301	121,873	10,572
ED FOUNDATION SP. PROGRAM	0	32,310	29,894	11,915	14,331
EARLY RETIREE INSURANCE	0	45,394	43,803	5,369	6,960
CONNER TRUST FUND	0	786	799	258	245
ADM BLDG POP FUND	0	473	172	309	610
BLACK HAWK PTA	0	3,655	4,017	362	0
BLACK HAWK POP FUND	0	4,365	2,763	1,756	3,358
BH BOX TOP FUND	0	450	1,431	2,267	1,286
CORSE PTA	0	162	162	86	86
CORSE POP FUND	0	341	1,355	1,277	263
GRIMES LANDSCAPING	0	0	0	22	22
GRIMES TEACER ACT	0	0	0	87	87
GRIMES POP FUND	0	1,481	1,631	2,548	2,398
GRIMES BOXTOPS	0	1,411	1,463	799	747
NORTH HILL PTA	0	0	500	537	37
NORTH HILL ART GRANT	0	0	0	50	50
NORTH HILL POP FUND	0	1,152	1,152	0	0
SUNNYSIDE EDUCATION	0	0	0	87	87
SUNNYSIDE POP FUND	0	2,706	4,578	6,519	4,647
JAMES MADISON POP FUND	0	2,856	3,431	789	214
HORACE MANN WORLD CLASS	0	0	0	402	402
OAK STREET POP FUND	0	1,006	1,247	838	597
BHS ADAMS EX SCH	0	1,287	1	30,349	31,635
BHS RENAISSANCE	0	0	500	1,500	1,000
BHS WAGNER MEMORIAL	0	111	0	1,469	1,580
BHS E BEDELL MEMORIAL	0	18	0	1,027	1,045
BHS HABERICHTER MEMORIAL	0	26	50	802	778
BHS F STIEFEL MEMORIAL	0	0	0	785	785
BHS WAGNER FIELD	0	265	265	0	0
BHS MINORITY SCHOLARSHIP	0	0	568	3,680	3,112
BHS JOHANNSEN SCHOLARSHIP	0	1,111	400	8,975	9,686
BHS PERRINE SCHOLARSHIP	0	56	151	2,730	2,635
WEHMAN SCHOLARSHIP	0	160	0	4,234	4,394
BHS W DUKE FIELD IMP	0	422	0	10,805	11,227
BHS SPECIAL ASSEMBLIES	0	0	0	345	345
BHS GREYHOUND GOLD	0	5,660	13	1,112	6,759

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS, PRIVATE PURPOSE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Beginning				Ending
	Net Assets	Additions	Deductions	Transfers	Net Assets
BHS MUSIC PATRONS	0	5,915	4,258	2,585	4,242
BHS HUPPENBAUER SCIENCE	0	422	500	10,114	10,036
BHS COOPER IND	0	0	0	1,491	1,491
BHS MUSIC CLASS 56	0	0	0	102	102
BHS BERQUIST MUSIC	0	17,817	0	0	17,817
BHS ATH TRACK MAINTENANCE	0	65	0	3,606	3,671
BHS J FRANKLIN	0	1,825	337	0	1,488
BHS ROD BELL ENRICHMENT	0	0	0	5,861	5,861
BHS POP FUND	0	2,861	3,621	2,168	1,408
Total	\$ 0	139,406	221,054	268,015	186,367

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 16,638,519	16,463,709	16,354,075	15,911,175	14,817,806	14,437,893
Tuition	877,646	756,547	751,509	724,325	629,047	400,164
Other	1,462,413	2,045,590	1,640,911	1,473,875	1,258,664	1,378,640
Intermediate sources	11,245	0	0	0	1,023	7,334
State sources	25,981,710	25,541,514	23,427,059	21,905,926	21,108,794	20,775,596
Federal sources	3,143,931	2,023,399	1,985,958	1,879,744	1,974,177	1,772,182
<b>Total</b>	<b>\$ 48,115,464</b>	<b>46,830,759</b>	<b>44,159,512</b>	<b>41,895,045</b>	<b>39,789,511</b>	<b>38,771,809</b>
Expenditures:						
Instruction:						
Regular	\$ 19,065,852	17,869,515	16,573,349	16,027,162	15,527,182	16,072,939
Special	7,026,127	6,863,234	6,563,641	6,197,518	5,993,163	7,665,529
Other	3,840,035	3,771,575	3,715,980	3,736,274	3,640,329	1,798,760
Support services:						
Student	1,740,967	1,555,284	1,241,861	1,063,366	983,854	960,997
Instructional staff	953,983	976,213	982,040	968,943	1,329,455	898,928
Administration	4,413,901	4,253,989	4,158,656	3,606,556	2,960,920	2,488,485
Operation and maintenance of plant	3,103,472	3,068,225	2,924,652	3,472,421	2,923,220	2,828,457
Transportation	1,095,899	1,089,385	943,801	885,422	842,986	772,312
Other support	0	0	0	0	0	188,782
Non-instructional programs	28,231	133,491	124,655	151,791	284,079	447,661
Other expenditures:						
Facilities acquisitions	13,971,730	11,456,273	3,078,934	2,763,922	4,000,995	8,400,264
Long-term debt:						
Principal	20,557,713	1,800,319	1,741,957	9,818,011	980,000	655,000
Interest and other charges	1,263,199	547,319	178,587	314,009	338,113	298,387
AEA flow-through	1,640,819	1,569,795	1,481,857	1,383,688	1,376,228	1,399,050
<b>Total</b>	<b>\$ 78,701,928</b>	<b>54,954,617</b>	<b>43,709,970</b>	<b>50,389,083</b>	<b>41,180,524</b>	<b>44,875,551</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 176,062
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	912,973
SUMMER FOOD PROGRAM FOR CHILDREN	10.559	FY 09	6,674
			<u>1,095,709</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
IOWA DEPARTMENT OF TRANSPORTATION:			
HIGHWAY PLANNING AND CONSTRUCTION	20.205	FY 09	<u>7,401</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 09	1,247,992
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	7,758
			<u>1,255,750</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>22,028</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 09	<u>307,455</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 09	<u>27,281</u>
STATE FISCAL STABILIZATION FUND - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>383,152</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)			
IOWA HIGH SCHOOL PROJECT	84.027	FY 09	267,570
IDEA SUB GRANT	84.027	FY 09	1,632
			300
			<u>269,502</u>

BURLINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>74,232</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS (AIDS EDUCATION)	93.938	FY 09	<u>650</u>
TOTAL			<u>\$ 3,443,160</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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Burlington Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Burlington Community School District's internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weaknesses, as defined above.

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 such 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.

February 15, 2010

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and 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, 2009. 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 grant 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, 2009.

#### 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Burlington Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2010

BURLINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies 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 significant deficiencies in internal control over a major program were 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 programs were as follows:
  - CFDA Number 84.394 - State Fiscal Stabilization Fund - Grants to States

Title I Clustered Programs

  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
  - CFDA Number 84.389 - Title I Basic LEA Grants Stabilization
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Burlington Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

BURLINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Statutory Reporting:

IV-A-09 Certified Budget - During the year ended June 30, 2009, District expenditures in the support services function exceeded budgeted amounts.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will make every effort not to exceed its statutory budget.

Conclusion - Response accepted.

IV-B-09 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-C-09 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-D-09 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-09 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-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-09 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.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			4,204,453
Expenditures/transfers out:			
Debt service for school infrastructure:			
Revenue debt	\$	4,204,453	<u>4,204,453</u>
Ending balance		\$	<u><u>0</u></u>

IV-L-09 Financial Condition - The District had a deficit undesignated fund balance of \$9,794 in the Enterprise Nutrition Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - Each student is now required to put in a pin number as they go through the meal line. This will ensure that all chargeable and reimbursable meals are accounted for. This combined with expenditure modifications should eliminate the structural deficit in fiscal year 2010.

Conclusion - Response accepted.

IV-M-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

We noted donations from Target were recorded in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

We noted that scholarships were being given to students out of the Student Council account to a graduating senior. In the future, the money fundraised for scholarships should be recorded in the Private-Purpose Trust Fund.

Response - Scholarship funds for the high school clubs have been established in the Trust Fund. The District will record all undesignated donations in the General Fund.

Conclusion - Response accepted.

IV-N-09 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - We are in the process of updating the board policies.

Conclusion - Response accepted.

IV-O-09 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - The rent from regional and district events will be deposited in the General Fund.

Conclusion - Response accepted.

IV-P-09 Trust Fund - During our audit we noted the District utilizes a Trust Fund. According to Chapter 9 of the LEA Administrative Manual, "Trust funds are used to account for assets held by a school district in a trustee capacity for others, and therefore cannot be used to support the school district's own programs. These Trust Funds will include both those that allow use of only the interest on the investments and those that allow use of both principal and interest. Trust funds shall be established by any school corporation to account for gifts it receives to be used for a particular purpose or to account for money and property received and administered by the district as trustee or custodian. Boards may establish trust funds as necessary. The characteristics of the expenditures from a Trust Fund depend on the nature of the donor's conditions or the responsibilities of the trustee. None of the expenditures will be for the benefit of the district's programs. Sources of revenue include donations of cash, investment instruments, property, and interest on investments held."

Currently, the District appears to be accounting for Early Retiree, various PTA and Pop Funds, Health/Health Fitness Program, Miscellaneous Central Office, Boxtops for Education, Landscaping, Teachers Activity, Arts Grant, and several other accounts in the Trust Fund. These accounts would be more properly run through the General Fund.

Recommendation - Management should review the accounts in the Trust Fund and determine how the account should truly be accounted for. Monies accounted for in the Trust Fund should be gifts the District receives to be used for a particular purpose or to account for money and property received and administered by the District as trustee or custodian.

Recommendation - The District will determine which trust fund accounts are for the benefit of the District and move them to the appropriate fund.

Conclusion - Response accepted.