

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

JUNE 30, 2010

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Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
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
Board of Education (After September 2009 Election)		
Scott Smith	President	2011
Melanie Richardson	Vice-President	2011
Gary Imthurn	Board Member	2011
Tom Greene	Board Member	2011
Dean Vickstrom	Board Member	2013
Linda Garwood	Board Member	2013
Darven Kendall	Board Member	2013
School Officials		
Lee Morrison	Superintendent	2010
Chris Van Meter	District Secretary/Treasurer and Business Manager	2010
Peter Paschler	Attorney	2010

BURLINGTON COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Burlington Community School District, Burlington, Iowa as of and for the year ended June 30, 2010, 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, 2010, 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 March 15, 2011 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 7 through 18 and 46 through 48 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 six years ended June 30, 2009 (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.

March 15, 2011

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

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, 2010. 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 decreased \$305,128. This is primarily due to the increase in the other expenditures functional area during the year and the decrease in state funding as compared to the previous year.
- General revenues accounted for \$35.2 million of the government-wide revenue, or 73.68% percent of all fiscal year 2010 revenues. Program specific revenues in the form of charges for services and grants, and contributions accounted for \$12.6 million or 26.32% percent of total fiscal year 2010 revenues.
- The District had approximately \$48.1 million in expenses related to governmental activities; of which \$12.6 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$35.2 million provided for the remaining costs of these programs.
- The General Fund had \$41.2 million in fiscal year 2010 revenues, which primarily consisted of state aid and property taxes, and \$42.0 million in expenditures. The General Fund's fund balance decreased approximately 16.75% during fiscal year 2010.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased to approximately 6.1%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.
- The District issued \$13,290,000 in revenue bonds. The District's total bonded debt increased to \$31,790,000 during the current fiscal year, due to issuance of these revenue bonds.
- Interest rates fell dramatically during the fiscal year. Interest revenue for the fiscal year was reduced approximately \$53,443.
- The State of Iowa enacted a 10% across the board cut in October 2009 effective with the January aid payments. This reduced state aid by \$2,168,330 and total state revenues by \$2,253,600.
- Medicaid revenue has increased substantially from the prior year due to billing for Medicaid eligible behavior diagnosis on special education students. During fiscal year 2010 the District billed \$1,239,888. 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, 2010

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 20 to 21 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, 2010

comparison between governmental funds and governmental activities. These reconciliations are on pages 23 and 25, 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 22 and 24 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 26 to 28 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 29 to 30 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 31 to 43 of this report.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

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, 2010

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 46 to 48 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 \$52.5 million as of June 30, 2010.

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 \$35.03 million in long-term liabilities (see Note 5 on page 38-40); 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, 2010

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2010 (in thousands).

	Governmental Activities		Business Type Activities		Total		Total Change June 30, 2009-2010
	June 30, 2009	2010	2009	2010	2009	2010	
Current assets	\$ 31,516	42,066	54	199	31,570	42,265	33.88%
Capital assets, net	64,131	67,148	98	100	64,229	67,248	4.70%
Total assets	95,647	109,214	152	299	95,799	109,513	14.32%
Current liabilities	20,851	21,961	51	51	20,902	22,012	5.31%
Long-term liabilities	22,269	35,031	—	—	22,269	35,031	57.31%
Total liabilities	43,120	56,992	51	51	43,171	57,043	32.13%
Net assets:							
Invested in capital assets, net of related debt	45,631	44,773	98	100	45,729	44,873	-1.87%
Restricted	5,821	6,363	—	—	5,821	6,363	9.31%
Unrestricted	1,075	1,086	(9)	148	1,066	1,234	15.76%
Total net assets	\$ 52,527	52,222	89	248	52,616	52,470	-0.28%

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

The additions (net of deletions) of \$5,079,473 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, 2010 were \$49.6 million. The total cost of all programs and services was \$49.8 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2010 (in thousands).

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

	Government Activities		Business Type Activities		Total District		Total Change
	2009	2010	2009	2010	2009	2010	2009-2010
Revenues:							
Program revenues:							
Charges for services	\$ 1,594	1,399	620	532	2,214	1,931	-12.78%
Operating grants and contributions	7,983	11,176	1,116	1,253	9,099	12,429	36.60%
Capital grants and contributions	—	—	—	18	—	18	0.00%
General revenues:							
Property taxes	12,434	13,104	—	—	12,434	13,104	5.39%
Sales tax, capital projects	4,204	3,763	—	—	4,204	3,763	-10.49%
Unrestricted investment earnings	548	111	—	—	548	111	-79.74%
Unrestricted state grants	21,154	17,872	—	—	21,154	17,872	-15.51%
Other	184	346	1	64	185	410	121.62%
Transfers	(268)	—	—	—	(268)	—	-100.00%
Total revenues	47,833	47,771	1,737	1,867	49,570	49,638	0.14%
Expenses:							
Instructional	29,093	29,925	—	—	29,093	29,925	2.86%
Support services:							
Student	1,742	1,751	—	—	1,742	1,751	0.52%
Instructional staff	992	1,125	—	—	992	1,125	13.41%
Administration	4,337	4,312	31	34	4,368	4,346	-0.50%
Operation and maintenance of plant	3,085	3,081	—	4	3,085	3,085	0.00%
Transportation	1,062	1,012	—	—	1,062	1,012	-4.71%
Non-instructional programs	96	36	1,718	1,670	1,814	1,706	-5.95%
Other expenditures:							
Facilities acquisitions	172	2,383	—	—	172	2,383	1285.47%
Long-term debt interest	1,439	1,213	—	—	1,439	1,213	-15.71%
AEA flowthrough	1,641	1,822	—	—	1,641	1,822	11.03%
Depreciation(unallocated)	892	1,416	—	—	892	1,416	58.74%
Total expenses	44,551	48,076	1,749	1,708	46,300	49,784	7.52%
Change in net assets	3,282	(305)	(12)	159	3,270	(146)	-104.46%
Beginning net assets	49,245	52,527	101	89	49,346	52,616	6.63%
Ending net assets	\$ 52,527	52,222	89	248	52,616	52,470	-0.28%

Governmental Activities

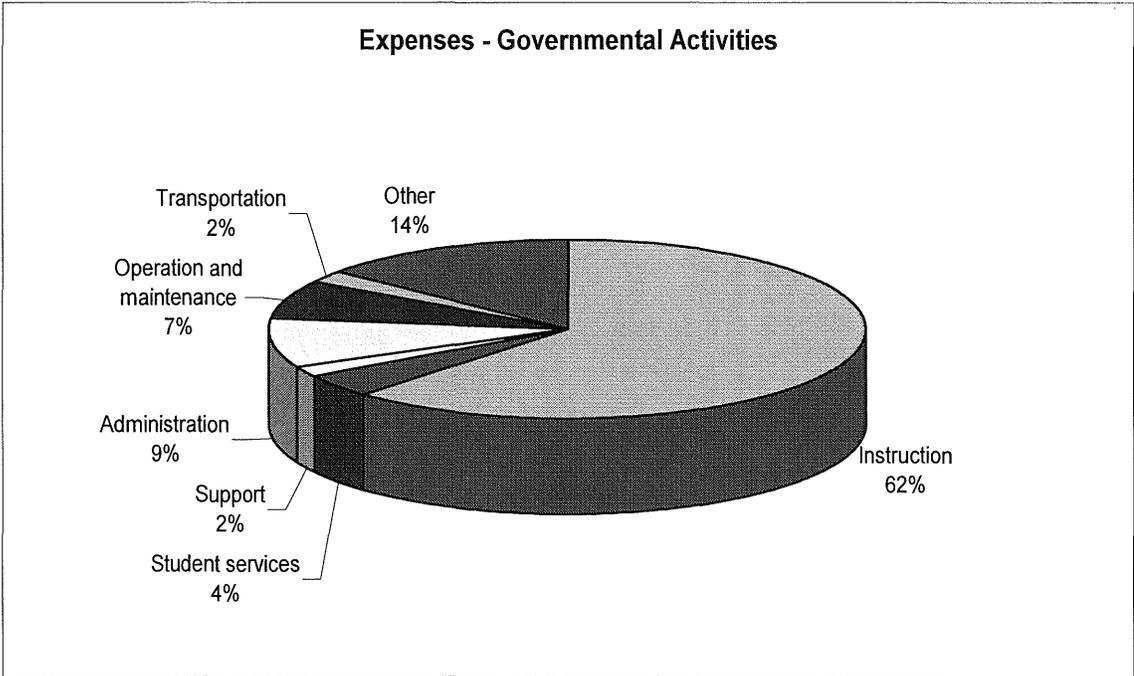
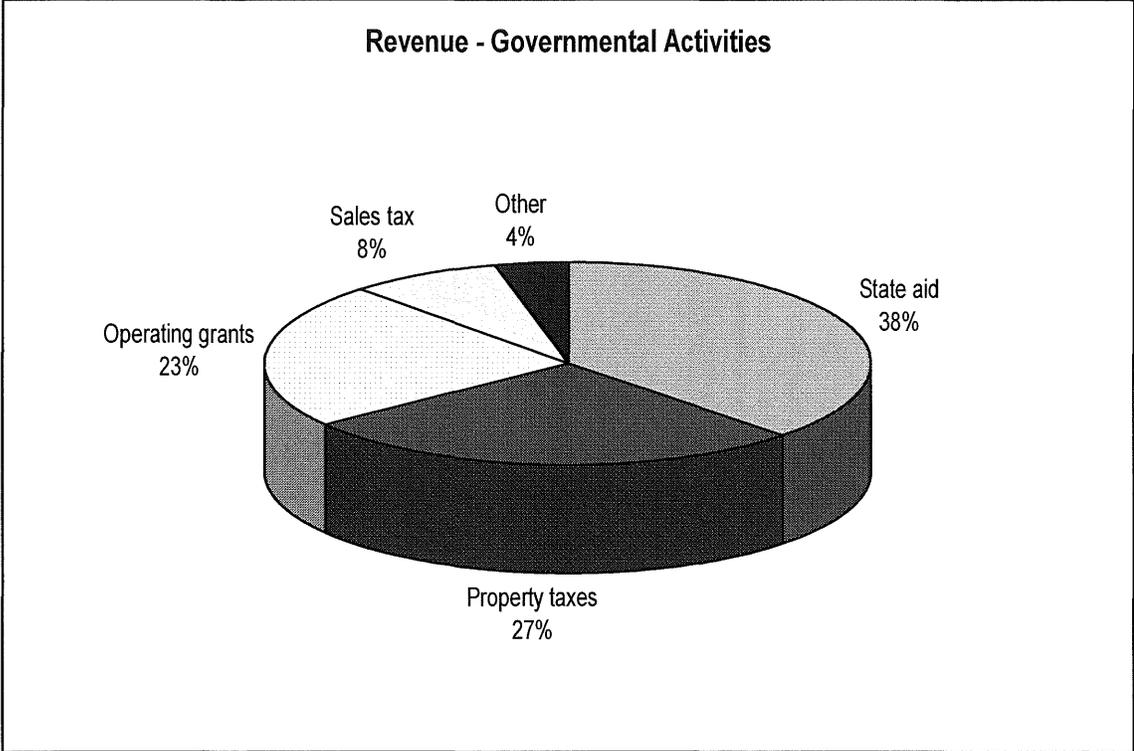
Unrestricted state grants, property taxes, and sales tax are the primary sources of revenue for the District. Revenues and expenditures were on target with projections with adjustments per known changes during in the year.

Instruction constitutes the largest portion of expenditures at \$29.9 million or 62.2%. 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 8.97% of total costs.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010



BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2010

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		
	2009	2010	% Change	2009	2010	% Change
Instructional	\$ 29,093	29,925	2.86%	(21,159)	(19,221)	-9.16%
Support services:						
Student services	1,742	1,751	0.52%	(1,742)	(1,751)	0.52%
Instructional staff services	992	1,125	13.41%	(992)	(1,125)	13.41%
Administration services	4,337	4,312	-0.58%	(4,337)	(4,312)	-0.58%
Operation and maintenance	3,085	3,081	-0.13%	(3,085)	(3,081)	-0.13%
Transportation services	1,062	1,012	-4.71%	(1,061)	(962)	-9.33%
Non-instructional programs	96	36	-62.50%	(96)	(36)	-62.50%
Other expenditures:						
Facilities acquisitions	172	2,383	1285.47%	(172)	(2,383)	1285.47%
Long-term debt interest	1,439	1,213	-15.71%	(1,439)	(1,213)	-15.71%
AEA flowthrough	1,641	1,822	11.03%	—	—	—
Depreciation(unallocated)	892	1,416	58.74%	(892)	(1,416)	58.74%
Total expenses	\$ 44,551	48,076	7.91%	(34,975)	(35,500)	1.50%

- The cost of all governmental activities this year was \$48.1 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$11.1 million.
- Net cost of governmental activities (\$35.5 million) was financed by general revenues, which are made up of primarily property and sales tax (\$16.9 million) and state aid (\$17.9 million). Investment earnings, gain on sale of property and miscellaneous sources accounted for \$0.5 million.

Business type Activities

Revenues of the District's business type activities were \$1,867,376 and expenses were \$1,708,123. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, providing meals for Notre Dame Catholic Schools, and federal and state reimbursements.

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 increase in net assets of \$159,253 for fiscal year 2010.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

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FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$749,350. 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
- \$11,632 for Beginning Teacher Mentoring
- \$8,957 for Gifted and Talented
- \$77,984 for Additional Salary, Professional Development
- \$1,960 for Beginning Administrator Mentoring Program
- \$123,507 for Model Core Curriculum
- \$183,179 for Salary Improvement Program
- \$2,836 for State Decategorization Grant (D-CAT)
- \$256 for LEP weighting
- \$88,464 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 46 and 47.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

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Legal Budgetary Highlights

The District's total actual receipts were \$4,592,955 less than the total budgeted receipts, a variance of 8.47% for the reasons noted above.

Total expenditures were approximately \$6.99 million less than total budgeted expenditures, a variance of 11.52%. 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, 2010, the District had invested \$67.2 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 \$5,079,473 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 Southwest Middle School building. Total depreciation expense for the year was \$2,130,998.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2010 (in thousands).

	Governmental Activities		Business type Activities		Total		% Change
	2009	2010	2009	2010	2009	2010	
Land and improvements	\$ 2,997	3,052	—	—	2,997	3,052	1.84%
Buildings and improvements	31,730	56,747	—	—	31,730	56,747	78.84%
Vehicles, furniture and equipment	2,964	3,323	98	100	3,062	3,423	11.79%
Construction in progress	26,440	4,026	—	—	26,440	4,026	-84.77%
Total	\$ 64,131	67,148	98	100	64,229	67,248	4.70%

Additional information on the District's capital assets can be found in Note 4 on pages 37 and 38 of this report.

Debt Administration. At year-end, the District had \$35,031,298 in other long-term debt outstanding, of which \$1,076,626 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, 2010.

	Amount		% Change
	2009	2010	
Revenue Bonds	\$ 18,500,000	31,790,000	71.8%
Early Retirement	3,611,470	3,124,021	-13.5%
Compensated Absences	139,613	117,277	-16.0%
Net OPEB liability	17,960	—	100.0%
Total	\$ 22,269,043	35,031,298	57.3%

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Management's Discussion and Analysis

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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 \$42,097,243 which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 5 on page 38 to 40 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:

- The 2010 General Assembly established allowable growth at 2% for school districts for the 2010-2011 fiscal year but underfunded it by \$310 per student or \$1.4 million. The District made up for this shortfall by levying property taxes
- The state reduced state aid by \$658,664. They replaced \$244,148 with ARRA (American Recovery and Reinvestment Act) Educational Stabilization Funds and \$217,768 in ARRA Government Services Funds for a total of \$461,916. In addition the state reduced the state appropriation for the instruction support levy by \$87,150.
- In fiscal years 2010 and 2011, the District has received \$857,527 in ARRA Title I funds and \$719,841 in ARRA Special Ed Part B funds. There is no funding available to sustain these programs.
- The district will receive \$927,700 in one time federal stimulus funds from the Educational Jobs Funding. These funds can be used to recall, retain, or hire new employees to provide early childhood, elementary, or secondary educational and related services at the school building level. The district has two years to expend the funds.
- Allowable growth has not been set for the 2011-2012 school year. The Governor has recommended 0% with the elimination of the state appropriation for instructional support (\$111,585) and pre-school (\$420,000).

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, 2010

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 25,725,350	145,329	25,870,679
Receivables:			
Property tax:			
Delinquent	298,536	0	298,536
Succeeding year	14,462,906	0	14,462,906
Accounts	89,887	0	89,887
Due from other governments	1,415,276	0	1,415,276
Prepaid expenses	7,727	0	7,727
Inventories	0	53,251	53,251
Net OPEB asset	66,210	386	66,596
Capital assets, net of accumulated depreciation	67,148,156	99,301	67,247,457
TOTAL ASSETS	109,214,048	298,267	109,512,315
LIABILITIES			
Accounts payable	1,814,236	10,306	1,824,542
Retainage payable	936,963	0	936,963
Salaries and benefits payable	4,365,414	31,829	4,397,243
Due to other governments	104,396	0	104,396
Deferred revenue:			
Succeeding year property tax	14,462,906	0	14,462,906
Other	276,703	0	276,703
Unearned revenue	0	8,754	8,754
Long-term liabilities:			
Portion due within one year:			
Early retirement	959,349	0	959,349
Compensated absences	117,277	0	117,277
Portion due after one year:			
Revenue bonds	31,790,000	0	31,790,000
Early retirement	2,164,672	0	2,164,672
TOTAL LIABILITIES	56,991,916	50,889	57,042,805
NET ASSETS			
Invested in capital assets, net of related debt	44,772,752	99,301	44,872,053
Restricted for:			
Categorical funding	507,706	0	507,706
Capital projects	146,807	0	146,807
Debt service	4,225,826	0	4,225,826
Physical plant and equipment levy	1,006,605	0	1,006,605
Other special revenue purposes	476,921	0	476,921
Unrestricted	1,085,515	148,077	1,233,592
TOTAL NET ASSETS	\$ 52,222,132	247,378	52,469,510

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 18,281,687	461,051	5,624,524	0	(12,196,112)	0	(12,196,112)
Special	7,262,052	420,554	2,031,097	0	(4,810,401)	0	(4,810,401)
Other	4,381,253	482,446	1,683,729	0	(2,215,078)	0	(2,215,078)
	<u>29,924,992</u>	<u>1,364,051</u>	<u>9,339,350</u>	<u>0</u>	<u>(19,221,591)</u>	<u>0</u>	<u>(19,221,591)</u>
Support services:							
Student	1,750,699	0	0	0	(1,750,699)	0	(1,750,699)
Instructional staff	1,124,879	0	0	0	(1,124,879)	0	(1,124,879)
Administration	4,311,550	0	0	0	(4,311,550)	0	(4,311,550)
Operation and maintenance of plant	3,081,461	0	0	0	(3,081,461)	0	(3,081,461)
Transportation	1,011,853	34,825	15,364	0	(961,664)	0	(961,664)
	<u>11,280,442</u>	<u>34,825</u>	<u>15,364</u>	<u>0</u>	<u>(11,230,253)</u>	<u>0</u>	<u>(11,230,253)</u>
Non-instructional programs:							
Food service operations	8,126	0	0	0	(8,126)	0	(8,126)
Community service and education operations	28,252	0	0	0	(28,252)	0	(28,252)
	<u>36,378</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(36,378)</u>	<u>0</u>	<u>(36,378)</u>
Other expenditures:							
Facilities acquisitions	2,383,237	0	0	0	(2,383,237)	0	(2,383,237)
Long-term debt interest	1,212,983	0	0	0	(1,212,983)	0	(1,212,983)
AEA flowthrough	1,821,651	0	1,821,651	0	0	0	0
Depreciation(unallocated)*	1,415,968	0	0	0	(1,415,968)	0	(1,415,968)
	<u>6,833,839</u>	<u>0</u>	<u>1,821,651</u>	<u>0</u>	<u>(5,012,188)</u>	<u>0</u>	<u>(5,012,188)</u>
Total governmental activities	<u>48,075,651</u>	<u>1,398,876</u>	<u>11,176,365</u>	<u>0</u>	<u>(35,500,410)</u>	<u>0</u>	<u>(35,500,410)</u>
Business type activities:							
Support services:							
Administration	33,887	0	0	0	0	(33,887)	(33,887)
Operation and maintenance of plant	4,129	0	0	0	0	(4,129)	(4,129)
	<u>38,016</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(38,016)</u>	<u>(38,016)</u>
Non-instructional programs:							
Food services operations	1,670,107	532,570	1,252,626	17,798	0	132,887	132,887
	<u>1,708,123</u>	<u>532,570</u>	<u>1,252,626</u>	<u>17,798</u>	<u>0</u>	<u>94,871</u>	<u>94,871</u>
Total business type activities	<u>1,708,123</u>	<u>532,570</u>	<u>1,252,626</u>	<u>17,798</u>	<u>0</u>	<u>94,871</u>	<u>94,871</u>
Total	\$ 49,783,774	1,931,446	12,428,991	17,798	(35,500,410)	94,871	(35,405,539)
General Revenues:							
Property tax levied for:							
General purposes					\$ 12,260,366	0	12,260,366
Capital outlay					843,506	0	843,506
Statewide sales, services and use tax					3,762,715	0	3,762,715
Unrestricted state grants					17,871,748	0	17,871,748
Unrestricted investment earnings					111,050	84	111,134
Other					345,897	64,298	410,195
Total general revenues					<u>35,195,282</u>	<u>64,382</u>	<u>35,259,664</u>
Changes in net assets					(305,128)	159,253	(145,875)
Net assets beginning of year					52,527,260	88,125	52,615,385
Net assets end of year					<u>\$ 52,222,132</u>	<u>247,378</u>	<u>52,469,510</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets					
Cash and pooled investments	\$ 7,848,872	10,399,412	4,973,771	2,010,379	25,232,434
Receivables:					
Property tax					
Delinquent	251,617	0	0	46,919	298,536
Succeeding year	12,155,788	0	0	2,307,118	14,462,906
Accounts	83,437	0	0	6,450	89,887
Due from other governments	851,894	562,452	0	930	1,415,276
Prepaid expenses	6,750	0	0	977	7,727
Total assets	\$ 21,198,358	10,961,864	4,973,771	4,372,773	41,506,766
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 570,915	463,498	747,945	31,878	1,814,236
Retainage payable	0	936,963	0	0	936,963
Salaries and benefits payable	4,365,414	0	0	0	4,365,414
Due to other governments	104,396	0	0	0	104,396
Deferred revenue:					
Succeeding year property tax	12,155,788	0	0	2,307,118	14,462,906
Other	276,703	0	0	0	276,703
Total liabilities	17,473,216	1,400,461	747,945	2,338,996	21,960,618
Fund balances:					
Reserved for:					
Categorical funding	507,706	0	0	0	507,706
Debt service	0	0	4,225,826	0	4,225,826
Capital facility construction	0	9,414,596	0	0	9,414,596
Unreserved:	3,217,436	146,807	0	2,033,777	5,398,020
Total fund balances	3,725,142	9,561,403	4,225,826	2,033,777	19,546,148
Total liabilities and fund balances	\$ 21,198,358	10,961,864	4,973,771	4,372,773	41,506,766

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 22)	\$	19,546,148
 <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.		67,148,156
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		492,916
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period		66,210
Long-term liabilities, including revenue bonds payable, compensated absences, and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds		<u>(35,031,298)</u>
Net assets of governmental activities (page 20)	\$	<u>52,222,132</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 11,007,913	3,762,715	0	2,095,959	16,866,587
Tuition	775,253	0	0	0	775,253
Other	450,082	112,660	46,485	504,438	1,113,665
State sources	22,739,533	0	0	1,835	22,741,368
Federal sources	6,271,850	0	0	0	6,271,850
Total revenues	41,244,631	3,875,375	46,485	2,602,232	47,768,723
Expenditures:					
Current:					
Instruction:					
Regular	18,405,510	0	0	873,415	19,278,925
Special	7,262,052	0	0	0	7,262,052
Other	3,956,398	0	0	419,099	4,375,497
	29,623,960	0	0	1,292,514	30,916,474
Support services:					
Student	1,753,515	0	0	8,371	1,761,886
Instructional staff	924,657	126,080	0	3,404	1,054,141
Administration	4,168,690	0	0	146,430	4,315,120
Operation and maintenance of plant	2,888,101	0	0	164,479	3,052,580
Transportation	786,955	0	0	243,226	1,030,181
	10,521,918	126,080	0	565,910	11,213,908
Non-instructional programs:					
Food service operations	0	0	0	8,126	8,126
Community service and education operations	28,252	0	0	0	28,252
	28,252	0	0	8,126	36,378
Other expenditures:					
Facilities acquisitions	0	6,294,429	0	167,911	6,462,340
Long-term debt:					
Interest and fiscal charges	0	0	1,520,176	0	1,520,176
AEA flowthrough	1,821,651	0	0	0	1,821,651
	1,821,651	6,294,429	1,520,176	167,911	9,804,167
Total expenditures	41,995,781	6,420,509	1,520,176	2,034,461	51,970,927
Excess(deficiency)of revenues over(under) expenditures	(751,150)	(2,545,134)	(1,473,691)	567,771	(4,202,204)
Other financing sources(uses):					
Transfers in	0	0	3,696,625	0	3,696,625
Transfers out	0	(3,696,625)	0	0	(3,696,625)
Proceeds from sale of equipment	1,800	0	0	0	1,800
Issuance costs of bonds	0	0	(68,135)	0	(68,135)
Premium on bonds	0	0	176,214	0	176,214
Discount on bonds	0	0	(241,566)	0	(241,566)
Issuance of revenue bonds	0	13,290,000	0	0	13,290,000
Total other financing sources(uses)	1,800	9,593,375	3,563,138	0	13,158,313
Net change in fund balances	(749,350)	7,048,241	2,089,447	567,771	8,956,109
Fund balance beginning of year	4,474,492	2,513,162	2,136,379	1,466,006	10,590,039
Fund balance end of year	\$ 3,725,142	9,561,403	4,225,826	2,033,777	19,546,148

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2010

Net change in fund balances - total governmental funds (page 24) \$ 8,956,109

*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	\$ 5,128,819	
Depreciation expense	<u>(2,111,338)</u>	3,017,481

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. Current year issues are as follows: (13,290,000)

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

Early retirement	487,449	
Compensated absences	22,336	
Other postemployment benefits	<u>84,066</u>	593,851

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 110,238

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. 307,193

Changes in net assets of governmental activities (page 21) \$ (305,128)

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 145,329	492,916
Inventories	53,251	0
Net OPEB asset	386	0
Total current assets	198,966	492,916
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	99,301	0
Total non-current assets	99,301	0
Total assets	298,267	492,916
Liabilities		
Accounts payable	10,306	0
Salaries and benefits payable	31,829	0
Unearned revenue	8,754	0
Total liabilities	50,889	0
Net assets		
Investment in capital assets	99,301	0
Unrestricted	148,077	492,916
Total net assets	\$ 247,378	492,916

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 532,570	6,431,076
Miscellaneous	64,298	0
Total operating revenues	<u>596,868</u>	<u>6,431,076</u>
Operating expenses:		
Support services:		
Administration:		
Salaries	11,939	0
Benefits	5,230	0
Services	15,965	0
Supplies	753	0
	<u>33,887</u>	<u>0</u>
Operation and maintenance of plant:		
Salaries	1,605	0
Benefits	229	0
Services	2,295	0
	<u>4,129</u>	<u>0</u>
Total support services	<u>38,016</u>	<u>0</u>
Non-instructional programs:		
Food service operations:		
Salaries	582,530	0
Benefits	117,756	0
Supplies	950,161	0
Depreciation	19,660	0
	<u>1,670,107</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	6,320,838
Total non-instructional programs	<u>1,670,107</u>	<u>6,320,838</u>
Total operating expenses	<u>1,708,123</u>	<u>6,320,838</u>
Operating income(loss)	<u>(1,111,255)</u>	<u>110,238</u>
Non-operating revenues:		
State sources	18,031	0
Federal sources	1,252,393	0
Interest income	84	0
Total non-operating revenues	<u>1,270,508</u>	<u>0</u>
Changes in net assets	159,253	110,238
Net assets beginning of year	<u>88,125</u>	<u>382,678</u>
Net assets end of year	<u>\$ 247,378</u>	<u>492,916</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 533,327	0
Cash received from miscellaneous operating activities	64,298	6,431,076
Cash payments to employees for services	(728,605)	(6,320,838)
Cash payments to suppliers for goods or services	(863,480)	0
Net cash provided by (used in) operating activities	<u>(994,460)</u>	<u>110,238</u>
Cash flows from non-capital financing activities:		
State grants received	18,031	0
Federal grants received	1,130,321	0
Net cash provided by non-capital financing activities	<u>1,148,352</u>	<u>0</u>
Cash flows from capital activities:		
Acquisition of assets	(21,042)	0
Cash flows from investing activities:		
Interest on investments	84	0
Net increase in cash and cash equivalents	132,934	110,238
Cash and cash equivalents at beginning of year	12,395	382,678
Cash and cash equivalents at end of year	<u>\$ 145,329</u>	<u>492,916</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	\$ (1,111,255)	110,238
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	122,072	0
Depreciation	19,660	0
Increase in inventories	(16,825)	0
Decrease in accounts receivable	5,304	0
Increase in accounts payable	447	0
Decrease in salaries and benefits payable	(13,709)	0
Decrease in unearned revenue	(4,547)	0
Increase in compensated absences	4,883	0
Decrease in other postemployment benefits	(490)	0
Net cash used in operating activities	<u>\$ (994,460)</u>	<u>110,238</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$122,072.

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
ASSETS		
Cash and pooled investments	\$ 228,364	
TOTAL ASSETS		<u>228,364</u>
LIABILITIES		
Accounts payable		598
TOTAL LIABILITIES		<u>598</u>
NET ASSETS		
Reserved for scholarships	\$ 227,766	

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 48,597
Interest income	2,212
Other	75,137
TOTAL ADDITIONS	125,946
DEDUCTIONS:	
Support Services:	
Administration	1,697
Non-instructional:	
Other Enterprise operations:	
Benefits	46,178
Services	2,208
Supplies	34,042
Other	422
	82,850
TOTAL DEDUCTIONS	84,547
Change in net assets	41,399
Net assets beginning of year	186,367
Net assets end of year	\$ 227,766

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, equipment and intangibles 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
Intangibles	100,000
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
Intangibles	2 or more 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, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$18,781,684 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 3,696,625

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, 2010 is as follows:

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,786,439	89,404	0	2,875,843
Construction in progress	26,439,611	4,026,371	26,439,611	4,026,371
Total capital assets not being depreciated	29,226,050	4,115,775	26,439,611	6,902,214
Capital assets being depreciated:				
Buildings	43,266,285	26,402,939	0	69,669,224
Land improvements	686,290	0	0	686,290
Machinery and equipment	13,935,611	1,049,716	70,388	14,914,939
Total capital assets being depreciated	57,888,186	27,452,655	70,388	85,270,453
Less accumulated depreciation for:				
Buildings	11,535,943	1,385,999	0	12,921,942
Land improvements	476,171	34,315	0	510,486
Machinery and equipment	10,971,447	691,024	70,388	11,592,083
Total accumulated depreciation	22,983,561	2,111,338	70,388	25,024,511
Total capital assets being depreciated, net	34,904,625	25,341,317	0	60,245,942
Governmental activities capital assets, net	\$ 64,130,675	29,457,092	26,439,611	67,148,156

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 506,613	21,042	0	527,655
Less accumulated depreciation	408,694	19,660	0	428,354
Business type activities capital assets, net	\$ 97,919	1,382	0	99,301

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 394,959
Support services:		
Student		129
Administration		54,687
Operation and maintenance		71,432
Transportation		174,163
		<u>695,370</u>
Unallocated depreciation		1,415,968
		<u>\$ 2,111,338</u>
Total governmental activities depreciation expense		
Business type activities:		
Food services		\$ 19,660
		<u>\$ 19,660</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 18,500,000	13,290,000	0	31,790,000	0
Early Retirement	3,611,470	471,440	958,889	3,124,021	959,349
Compensated Absences	139,613	117,277	139,613	117,277	117,277
Net OPEB liability	17,856	0	17,856	0	0
Total	\$ 22,268,939	13,878,717	1,116,358	35,031,298	1,076,626
Business type activities:					
Net OPEB liability	\$ 104	0	104	0	0

Revenue Bonds

Details of the District's June 30, 2010 revenue bonded indebtedness is as follows:

Bond issue of March 1, 2009 Series A				Bond issue of March 1, 2009 Series B			
Year Ending June 30,	Interest Rate	Principal	Interest	Year Ending June 30,	Interest Rate	Principal	Interest
2011	5.00 % \$	0	500,064	2011	4.96 % \$	0	421,514
2012	5.00	0	500,064	2012	4.96	0	421,514
2013	5.00	0	500,064	2013	4.96	0	421,514
2014	5.00	0	500,064	2014	4.96	0	421,514
2015	5.00	0	500,064	2015	4.96	0	421,514
2016-2020	5.00	0	2,500,320	2016-2020	4.96	0	2,107,570
2021-2025	4.38-4.90	4,205,000	2,165,993	2021-2025	4.60-4.90	3,160,000	1,830,815
2026-2030	5.00-5.35	5,795,000	947,038	2026-2030	5.00-5.15	5,340,000	700,584
Total		\$ 10,000,000	8,113,671			\$ 8,500,000	6,746,539

Bond issue of December 1, 2009 Series C				Total		
Year Ending June 30,	Interest Rate	Principal	Interest	Principal	Interest	Total
2011	5.00 % \$	0	533,290	\$ 0	1,454,868	1,454,868
2012	5.00	0	492,268	0	1,413,846	1,413,846
2013	5.00	715,000	492,268	715,000	1,413,846	2,128,846
2014	5.00	1,455,000	459,942	1,455,000	1,381,520	2,836,520
2015	5.00	1,470,000	416,218	1,470,000	1,337,796	2,807,796
2016-2020	5.00	7,885,000	1,248,986	7,885,000	5,856,876	13,741,876
2021-2025	4.38-4.80	1,765,000	92,495	9,130,000	4,089,303	13,219,303
2026-2030	-	-	-	11,135,000	1,647,622	12,782,622
Total		\$ 13,290,000	3,735,467	\$ 31,790,000	18,595,677	50,385,677

The District has pledged future statewide sales, services and use tax revenues to repay the \$18,500,000 and \$13,290,000 of bonds issued on March 1, 2009 and December 1, 2009, respectively. 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 statewide sales, services and use 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 statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$50,385,677. For the current year interest was paid on the bonds totaling \$767,981 and total statewide sales, services and use tax revenues were \$3,762,714.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$3,179,000 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 statewide sales services and use 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 2010 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 2010. 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, 2010, totaled \$958,859.

(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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$1,629,609 \$1,535,325, and \$1,387,599 respectively, equal to the required contributions for each year.

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

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, 2010, 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	718
Adjustment to annual required contribution	(1,019)
Annual OPEB cost	<u>771,378</u>
Contributions made	<u>(855,934)</u>
Increase in net OPEB obligation	(84,556)
Net OPEB obligation beginning of year	<u>17,960</u>
Net OPEB obligation end of year	<u>\$ (66,596)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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, 2010.

For the year ended June 30, 2010, the District contributed \$855,934 to the medical plan. Plan members eligible for benefits contributed \$320,206, 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, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 771,378	110.96%	\$ (66,596)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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 39.7%. As of June 30, 2010 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, 2009 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 were based upon national termination studies performed by the Society of Actuaries and were adjusted to reflect the recent lower termination rates experienced by Burlington Community 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 \$1,821,651 for the year ended June 30, 2010 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 \$15,686,485 for construction of the Southwest Middle School building. As of June 30, 2010, costs of \$4,026,371 had been incurred against the contracts. The balance of \$11,660,114 remaining at June 30, 2010 will be paid as work on the project progresses.

(11) Categorical Funding

Categorical funding balances for the District as of June 30, 2010 were as follows:

<u>Project</u>	<u>Amount</u>
At-Risk Supplemental Weighting	\$ 2,919
Market Factor Incentives	6,012
Beginning Teacher Mentoring	11,632
Gifted and Talented	8,957
Professional Development	77,984
Beginning Administrator and Mentoring	1,960
Model Core Curriculum	123,507
Salary Improvement	183,179
State Decategorization Grant (D-CAT)	2,836
LEP weighting	256
Home School Assistance Program (HSAP)	88,464
Total	<u>\$ 507,706</u>

BURLINGTON COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 18,755,505	596,952	19,352,457	19,990,241	19,990,241	(637,784)
Intermediate sources	0	0	0	15,000	15,000	(15,000)
State sources	22,741,368	18,031	22,759,399	30,368,813	30,368,813	(7,609,414)
Federal sources	6,271,850	1,252,393	7,524,243	3,855,000	3,855,000	3,669,243
Total revenues	47,768,723	1,867,376	49,636,099	54,229,054	54,229,054	(4,592,955)
Expenditures/Expenses:						
Instruction	30,916,474	0	30,916,474	33,410,164	33,910,164	2,993,690
Support services	11,213,908	38,016	11,251,924	12,884,259	13,084,256	1,832,332
Non-instructional programs	36,378	1,670,107	1,706,485	1,733,062	1,933,062	226,577
Other expenditures	9,804,167	0	9,804,167	11,238,978	11,738,978	1,934,811
Total expenditures/expenses	51,970,927	1,708,123	53,679,050	59,266,463	60,666,460	6,987,410
Deficiency of revenues under expenditures/expenses	(4,202,204)	159,253	(4,042,951)	(5,037,409)	(6,437,406)	2,394,455
Other financing sources, net	13,158,313	0	13,158,313	12,550,000	12,550,000	608,313
Deficiency of revenues and other financing sources under expenditures/expenses	8,956,109	159,253	9,115,362	7,512,591	6,112,594	3,002,768
Balance beginning of year	10,590,039	88,125	10,678,164	9,744,396	9,744,396	933,768
Balance end of year	\$ 19,546,148	247,378	19,793,526	17,256,987	15,856,990	3,936,536

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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, 2010, the District adopted one budget amendment increasing budgeted expenditures by \$1,399,997.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	\$ 0	\$ 7,818,097	\$ 7,818,097	0.00%	\$ 19,546,207	40.00%
2010	July 1, 2008	0	7,818,097	7,818,097	0.00%	19,707,358	39.67%

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, 2010

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
Assets				
Cash and pooled investments	\$ 525,526	481,556	1,003,297	2,010,379
Receivables:				
Property tax				
Delinquent	28,628	0	18,291	46,919
Succeeding year	1,450,003	0	857,115	2,307,118
Accounts	4,836	1,614	0	6,450
Due from other governments	568	0	362	930
Prepaid expenses	0	977	0	977
Total assets	<u>\$ 2,009,561</u>	<u>484,147</u>	<u>1,879,065</u>	<u>4,372,773</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 9,307	7,226	15,345	31,878
Deferred revenue:				
Succeeding year property tax	1,450,003	0	857,115	2,307,118
Total liabilities	<u>1,459,310</u>	<u>7,226</u>	<u>872,460</u>	<u>2,338,996</u>
Unreserved fund balances	550,251	476,921	1,006,605	2,033,777
Total liabilities and fund balances	<u>\$ 2,009,561</u>	<u>484,147</u>	<u>1,879,065</u>	<u>4,372,773</u>

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, 2010

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
Revenues:				
Local sources:				
Local tax	\$ 1,252,453	0	843,506	2,095,959
Other	27,322	476,587	529	504,438
State sources	1,121	0	714	1,835
Total revenues	1,280,896	476,587	844,749	2,602,232
Expenditures:				
Current:				
Instruction:				
Regular	873,415	0	0	873,415
Other	0	419,099	0	419,099
Support services:				
Student	8,371	0	0	8,371
Instructional staff	3,404	0	0	3,404
Administration	146,174	256	0	146,430
Operation and maintenance of plant	164,479	0	0	164,479
Transportation	52,346	0	190,880	243,226
Non-instructional programs:				
Food service operations	8,126	0	0	8,126
Other expenditures:				
Facilities acquisition	0	0	167,911	167,911
Total expenditures	1,256,315	419,355	358,791	2,034,461
Net change in fund balances	24,581	57,232	485,958	567,771
Fund balances beginning of year	525,670	419,689	520,647	1,466,006
Fund balances end of year	\$ 550,251	476,921	1,006,605	2,033,777

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SYSTEM WIDE:				
BUSINESS ACCOUNTS	\$ 261	0	261	0
UNIVERSITY HIGH SCHOOL:				
ACTIVITY	1,115	286	861	540
SENIOR HIGH SCHOOL:				
ACTIVITY	4,846	11,785	3,823	12,808
DRAMA	2,948	1,114	3,488	574
CHORAL	0	33,506	30,331	3,175
PURPLE AIRES	3,726	325	1,045	3,006
ORCHESTRA/CHAMBER	5,586	5,516	5,670	5,432
BAND/COLOR GUARD	705	8,731	5,980	3,456
JAZZ BAND	105	200	4	301
MUSIC/DRAMA	5,492	1,341	1,277	5,556
MIDDLE SCHOOL ATHLETICS	8,808	10,692	10,471	9,029
FUTURE GRAYHOUND BBALL	5,097	0	0	5,097
GENERAL ATHLETICS	81,535	81,112	58,400	104,247
CHEERLEADERS	1,196	1,530	1,947	779
FUTURE GRAYHOUND SWIMMING	8,762	334	606	8,490
ART CLUB	8,695	44	926	7,813
KIWANIS KEY CLUB	1,470	1,534	2,539	465
PURPLE AND GRAY	0	744	449	295
INTERNATIONAL CLUB	251	103	353	1
PATHFINDER	23,751	27,379	2,833	48,297
ECOLOGY CLUB	2,884	38	158	2,764
SADD	2,727	1,277	1,371	2,633
VARSITY CLUB	3,360	19,975	17,122	6,213
SENIOR COLOR SEL	517	0	517	0
RENAISSANCE SCHOLARSHIP	35	0	0	35
RENAISSANCE STORE	0	8,096	7,999	97
CLASS OF 2006	13	390	0	403
CLASS OF 2007	0	25	0	25
CLASS OF 2008	15,103	0	15,103	0
CLASS OF 2009	4,297	200	4,497	0
CLASS OF 2010	2,210	19,966	7,903	14,273
CLASS OF 2011	199	6,983	4,439	2,743
NATIONAL HONOR SOCIETY	546	250	250	546
STUDENT COUNCIL	26,592	22,360	25,538	23,414
HERO	1,025	1,601	918	1,708
IA CLUB	414	380	0	794
TECHNOLOGY STUDENT	2,906	4,654	4,374	3,186

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SENIOR HIGH (CONTINUED) :				
DECA	5,014	15,986	18,041	2,959
BPA CLUB	121	0	0	121
SELF-CONTAINED FUNDRAISER	263	0	0	263
BOYS ATHLETICS:				
BASKETBALL	36,529	25,153	17,791	43,891
FOOTBALL	33,098	30,719	31,216	32,601
SWIMMING	1,852	2,964	2,947	1,869
WRESTLING	2,019	10,379	8,779	3,619
TRACK	90	6,806	4,362	2,534
CROSS COUNTRY TRACK	1,091	1,960	1,845	1,206
BASEBALL	0	18,470	18,470	0
TENNIS	453	150	409	194
GOLF	1,503	675	1,155	1,023
SOCCER	2,010	2,980	3,680	1,310
GIRLS ATHLETICS:				
SOCCER	753	3,467	4,220	0
BASKETBALL	21,573	7,331	6,934	21,970
VOLLEYBALL	5,104	7,143	5,366	6,881
SWIMMING	6,189	3,739	1,969	7,959
SOFTBALL	0	9,525	9,340	185
TRACK	1,103	3,057	4,160	0
TENNIS	760	250	424	586
GOLF	2,581	750	811	2,520
TOTAL HIGH SCHOOL	343,061	423,689	362,250	396,538
JAMES MADISON	20,978	16,689	16,802	20,865
OAK STREET	15,977	16,567	17,660	14,884
CENTRAL AVENUE	1,528	0	0	1,528
CORSE	2,413	2,641	2,774	2,280
BLACK HAWK	6,840	3,599	3,965	6,474
GRIMES	9,615	4,367	6,346	7,636
NORTH HILL	1,265	1,279	1,215	1,329
PERKINS	730	0	0	730
SUNNYSIDE	11,060	7,470	7,221	11,309
Total	\$ 419,689	476,587	419,355	476,921

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS, PRIVATE PURPOSE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Beginning			Ending Net Assets
	Net Assets	Additions	Deductions	
NEEDY STUDENT	\$ 1,953	1,357	3,310	0
MISC CENTRAL OFFICE	3,444	0	0	3,444
MARIE WEDERTZ MUSICAL	5,235	0	0	5,235
GUEGLER TRUST	7,639	2,430	0	10,069
JOHN H WITTE FOUNDATION	10,572	40,000	0	50,572
ED FOUNDATION SP. PROGRAM	14,331	1,481	3,094	12,718
EARLY RETIREE INSURANCE	6,960	47,227	46,177	8,010
CONNER TRUST FUND	245	499	500	244
ADM BLDG POP FUND	610	79	0	689
BLACK HAWK PTA	0	1,751	106	1,645
BLACK HAWK POP FUND	3,358	2,565	2,358	3,565
BH BOX TOP FUND	1,286	848	1,247	887
CORSE PTA	86	0	0	86
CORSE POP FUND	263	239	199	303
GRIMES LANDSCAPING	22	0	0	22
GRIMES TEACER ACT	87	0	0	87
GRIMES POP FUND	2,398	462	1,469	1,391
GRIMES BOXTOPS	747	1,226	1,137	836
NORTH HILL PTA	37	3,063	3,063	37
NORTH HILL ART GRANT	50	0	0	50
NORTH HILL POP FUND	0	2,360	2,209	151
SUNNYSIDE EDUCATION	87	0	0	87
SUNNYSIDE POP FUND	4,647	2,503	2,261	4,889
JAMES MADISON POP FUND	214	2,510	2,618	106
HORACE MANN WORLD CLASS	402	0	0	402
OAK STREET POP FUND	597	737	739	595
BHS ADAMS EX SCH	31,635	1,015	0	32,650
BHS RENAISSANCE	1,000	0	500	500
BHS WAGNER MEMORIAL	1,580	162	147	1,595
BHS E BEDELL MEMORIAL	1,045	14	0	1,059
BHS HABERICHTER MEMORIAL	778	10	0	788
BHS F STIEFEL MEMORIAL	785	0	0	785
BHS MINORITY SCHOLARSHIP	3,112	0	549	2,563
BHS JOHANNSEN SCHOLARSHIP	9,686	1,071	0	10,757
BHS PERRINE SCHOLARSHIP	2,635	35	0	2,670
WEHMAN SCHOLARSHIP	4,394	124	0	4,518
BHS W DUKE FIELD IMP	11,227	348	0	11,575
BHS SPECIAL ASSEMBLIES	345	0	0	345
BHS STUDENT COUNCIL SCHOOL	0	3,952	0	3,952

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Beginning			Ending
	Net Assets	Additions	Deductions	Net Assets
BHS ECOLOGY SCHOOL	0	334	0	334
BHS GREYHOUND GOLD	6,759	494	3,650	3,603
BHS MUSIC PATRONS	4,242	5,285	7,468	2,059
BHS HUPPENBAUER SCIENCE	10,036	348	0	10,384
BHS COOPER IND	1,491	0	0	1,491
BHS MUSIC CLASS 56	102	0	0	102
BHS BERQUIST MUSIC	17,817	0	0	17,817
BHS ATH TRACK MAINTENANCE	3,671	66	0	3,737
BHS J FRANKLIN	1,488	200	200	1,488
BHS ROD BELL ENRICHMENT	5,861	0	0	5,861
BHS POP FUND	1,408	1,151	1,546	1,013
Total	\$ 186,367	125,946	84,547	227,766

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 16,866,587	16,638,519	16,463,709	16,354,075	15,911,175	14,817,806	14,437,893
Tuition	775,253	877,646	756,547	751,509	724,325	629,047	400,164
Other	1,113,665	1,462,413	2,045,590	1,640,911	1,473,875	1,258,664	1,378,640
Intermediate sources	0	11,245	0	0	0	1,023	7,334
State sources	22,741,368	25,981,710	25,541,514	23,427,059	21,905,926	21,108,794	20,775,596
Federal sources	6,271,850	3,143,931	2,023,399	1,985,958	1,879,744	1,974,177	1,772,182
Total	\$ 47,768,723	48,115,464	46,830,759	44,159,512	41,895,045	39,789,511	38,771,809
Expenditures:							
Instruction:							
Regular	\$ 19,278,925	19,065,852	17,869,515	16,573,349	16,027,162	15,527,182	16,072,939
Special	7,262,052	7,026,127	6,863,234	6,563,641	6,197,518	5,993,163	7,665,529
Other	4,375,497	3,840,035	3,771,575	3,715,980	3,736,274	3,640,329	1,798,760
Support services:							
Student	1,761,886	1,740,967	1,555,284	1,241,861	1,063,366	983,854	960,997
Instructional staff	1,054,141	953,983	976,213	982,040	968,943	1,329,455	898,928
Administration	4,315,120	4,413,901	4,253,989	4,158,656	3,606,556	2,960,920	2,488,485
Operation and maintenance of plant	3,052,580	3,103,472	3,068,225	2,924,652	3,472,421	2,923,220	2,828,457
Transportation	1,030,181	1,095,899	1,089,385	943,801	885,422	842,986	772,312
Other support	0	0	0	0	0	0	188,782
Non-instructional programs	36,378	28,231	133,491	124,655	151,791	284,079	447,661
Other expenditures:							
Facilities acquisitions	6,462,340	13,971,730	11,456,273	3,078,934	2,763,922	4,000,995	8,400,264
Long-term debt:							
Principal	0	20,557,713	1,800,319	1,741,957	9,818,011	980,000	655,000
Interest and other charges	1,520,176	1,263,199	547,319	178,587	314,009	338,113	298,387
AEA flow-through	1,821,651	1,640,819	1,569,795	1,481,857	1,383,688	1,376,228	1,399,050
Total	\$ 51,970,927	78,701,928	54,954,617	43,709,970	50,389,083	41,180,524	44,875,551

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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 10	\$ 193,829
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	1,033,994 *
SUMMER FOOD PROGRAM FOR CHILDREN	10.559	FY 10	6,772
			<u>1,234,595</u>
SCHOOL LUNCH EQUIPMENT GRANTS STABILIZATION	10.579	FY 10	<u>17,798</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
IOWA DEPARTMENT OF TRANSPORTATION:			
HIGHWAY PLANNING AND CONSTRUCTION	20.205	FY 10	<u>1,211</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	1,316,361
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	142,276
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	199,737
			<u>1,658,374</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>21,449</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>315,806</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 10	<u>27,008</u>
STATE FISCAL STABILIZATION FUND - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>2,140,318</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 10	263,258
SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT	84.391	FY 09	143,968
SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT	84.391	FY 10	383,984
			<u>791,210</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>76,086</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 10	<u>500</u>
TOTAL			<u>\$ 6,284,355</u>

* - Includes \$122,072 of non-cash awards.

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.

BURLINGTON COMMUNITY SCHOOL DISTRICT

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2011. 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 an 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

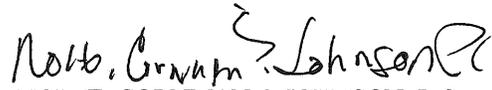
Compliance and Other Matters

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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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, 2010. 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, 2010.

Internal Control Over Compliance

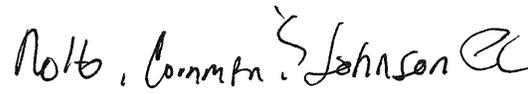
The management of Burlington Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Burlington Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness as defined above.

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, and is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2011

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (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:
 - Clustered:
 - CFDA Number 84.010 - Title I Grant to Local Educational Agencies
 - CFDA Number 84.389 - ARRA - Title I Grant to Local Educational Agencies, Recovery Act

 - CFDA Number 84.027 - Special Education - Grants to States
 - CFDA Number 84.391 - Special Education - Grants to States, Recovery Act
 - Individual:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
- (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.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 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-10 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-10 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported on Line 1 as resident students was overstated by 1.0 students.

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

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for statewide sales, services and use tax are as follows:

Beginning Balance		\$	0
Statewide sales, services and use tax revenue			3,762,715
Expenditures/transfers out:			
School infrastructure:			
Equipment	66,090		
Debt service for school infrastructure:			
Revenue debt	\$ 3,696,625		3,762,715
Ending balance		\$	<u>0</u>

As a result of the statewide sales, service and use tax revenue received during the year ended June 30, 2010 the District reduced the following levy:

	<u>Per \$1000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical Plant and Equipment Levy	\$ 0.67000	\$ 564,103

IV-M-10 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, 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.

Response - The Trust Fund will be reviewed and reclassified.

Conclusion - Response accepted.