

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

JUNE 30, 2012

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-18
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	20
Statement of Activities	B	21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	26
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	29
Statement of Changes in Fiduciary Net Assets	K	30
Notes to Financial Statements		31-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	51
Capital Projects:		
Combining Balance Sheet	3	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	54-55
Schedule of Changes in Special Revenue Fund, Support Trust Accounts	6	56
Schedule of Changes in Fiduciary Assets, Private Purpose Trust Accounts	7	57
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	8	59
Schedule of Expenditures of Federal Awards	9	60-61
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		62-63
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		64-65
Schedule of Findings and Questioned Costs		66-69

Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 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 Kendell	Board Member	2013
(After September 2011 Election)		
Darven Kendell	President	2013
Linda Garwood	Vice-President	2013
Tammy Darnall	Board Member	2015
Marlis Robberts	Board Member	2015
Dean Vickstrom	Board Member	2013
Mike Shinn	Board Member	2015
Michael Warner	Board Member	2015
School Officials		
Jane Evans	Superintendent	2012
Chris Stensland	Director of Business Services	2012
Drew Bracken	Attorney	2012

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, 2012, 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, 2012, 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 January 17, 2013 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.

U.S generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7

Members American Institute & Iowa Society of Certified Public Accountants

through 18 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Supplementary information included in Schedules 1 through 9, 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 17, 2013

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net assets of governmental activities increased \$5,066,383. This is primarily due to the increase in unrestricted state grant revenues during the year and a minimal increase in expenditures as compared to the previous year.
- General revenues accounted for \$44.2 million of the government-wide revenue, or 86.15% percent of all fiscal year 2012 revenues. Program specific revenues in the form of charges for services and grants, and contributions accounted for \$7.1 million or 13.85% percent of total fiscal year 2012 revenues.
- The District had approximately \$46.2 million in expenses related to governmental activities; of which \$7.1 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$44.2 million provided for the remaining costs of these programs.
- The General Fund had \$44.5 million in fiscal year 2012 revenues, which primarily consisted of state aid and property taxes, and \$42.0 million in expenditures. The General Fund's fund balance increased approximately 42.07% during fiscal year 2012, due in part to unexpended grant funds held as a restricted balance.
- The District's solvency ratio increased to approximately 16.99%. The Iowa Association of School Boards recommends a solvency ratio of 5% - 10%.
- The District's total bonded debt remained at \$31,790,000. The District will begin making principal payments on its revenue bonds during the 2013 fiscal year.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

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.

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 comparison between governmental funds and governmental activities. These reconciliations are on pages 23 and 25, respectively.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

The District maintains six 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, Capital Projects and Debt Service, all of which are considered to be major funds. Data from the other three 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 44 of this report.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management’s Discussion and Analysis

June 30, 2012

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 fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, 2012

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 \$62.4 million as of June 30, 2012.

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 \$33.7 million in long-term liabilities (see Note 5 on page 39-40); 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, 2012

The following table presents a summary of the District's net assets at June 30, 2012 compared to June 30, 2011 (in thousands).

	Governmental Activities		Business Type Activities		Total		Total Change June 30, 2011-12
	June 30,		June 30,		June 30,		
	2011	2012	2011	2012	2011	2012	
Current assets	\$ 37,113	37,721	344	527	37,457	38,248	2.11%
Capital assets, net	76,400	78,890	94	76	76,494	78,966	3.23%
Total assets	113,513	116,611	438	603	113,951	117,214	2.86%
Current liabilities	21,697	20,504	54	47	21,751	20,551	-5.52%
Long-term liabilities	34,504	33,729	—	4	34,504	33,733	-2.23%
Total liabilities	56,201	54,233	54	51	56,255	54,284	-3.50%
Net assets:							
Invested in capital assets, net of related debt	44,610	47,100	94	76	44,704	47,176	5.53%
Restricted	8,922	7,699	—	—	8,922	7,699	-13.71%
Unrestricted	3,780	7,579	290	476	4,070	8,055	97.91%
Total net assets	\$ 57,312	62,378	384	552	57,696	62,930	9.07%

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

The additions (net of deletions) of \$2,490,189 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, 2012 were \$53.4 million. The total cost of all programs and services was \$48.1 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2012 compared to June 30, 2011 (in thousands).

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

	Government Activities		Business Type Activities		Total District		Total Change
	2011	2012	2011	2012	2011	2012	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 1,425	1,401	513	498	1,938	1,899	-2.01%
Operating grants and contributions	8,950	5,689	1,387	1,528	10,337	7,217	-30.18%
Capital grants and contributions	—	14	—	—	—	14	100.00%
General revenues:							
Property taxes	14,506	13,884	—	—	14,506	13,884	-4.29%
Statewide sales, services and use tax	3,635	3,802	—	—	3,635	3,802	4.59%
Unrestricted investment earnings	17	50	—	—	17	50	194.12%
Non specific program federal grants	667	736	—	—	667	736	10.34%
Unrestricted state grants	21,464	25,171	—	—	21,464	25,171	17.27%
Other	475	444	59	54	534	498	-6.74%
Gain on sale of capital assets	—	110	—	—	—	110	100.00%
Total revenues	51,139	51,301	1,959	2,080	53,098	53,381	0.53%
Expenses:							
Instructional	30,123	29,270	—	—	30,123	29,270	-2.83%
Support services:							
Student	1,671	1,737	—	—	1,671	1,737	3.95%
Instructional staff	1,269	1,118	—	—	1,269	1,118	-11.90%
Administration	3,989	4,137	36	52	4,025	4,189	4.07%
Operation and maintenance of plant	3,619	4,138	12	2	3,631	4,140	14.02%
Transportation	1,155	1,268	—	—	1,155	1,268	9.78%
Non-instructional programs	40	22	1,775	1,858	1,815	1,880	3.58%
Long-term debt interest	1,418	1,418	—	—	1,418	1,418	0.00%
Other expenses:							
AEA flowthrough	1,882	1,703	—	—	1,882	1,703	-9.51%
Depreciation(unallocated)	883	1,424	—	—	883	1,424	61.27%
Total expenses	46,049	46,235	1,823	1,912	47,872	48,147	0.57%
Change in net assets	5,090	5,066	136	168	5,226	5,234	-0.15%
Beginning net assets	52,222	57,312	248	384	52,470	57,696	9.96%
Ending net assets	\$ 57,312	62,378	384	552	57,696	62,930	9.07%

Governmental Activities

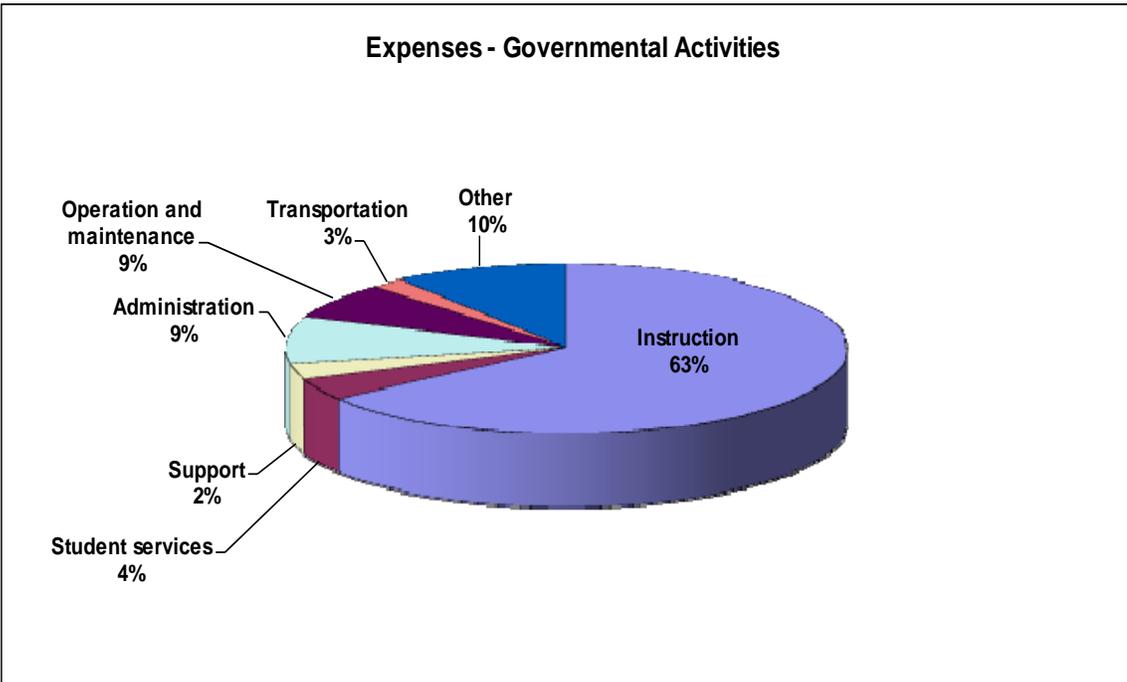
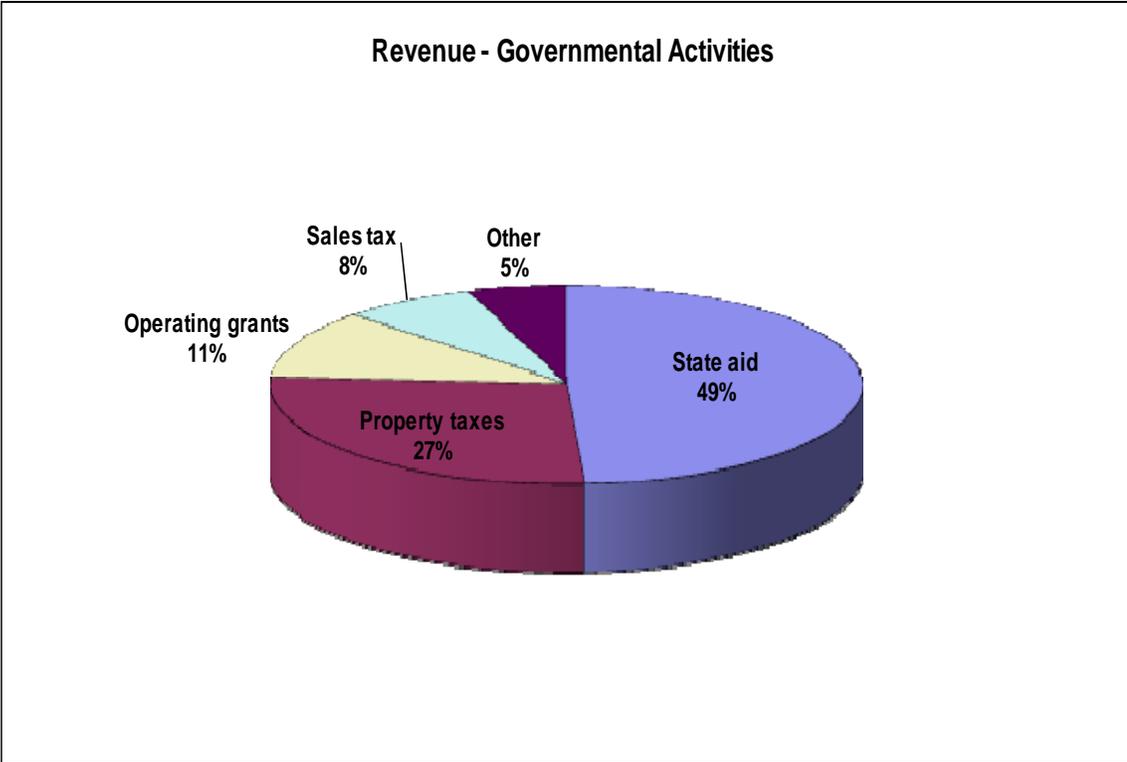
Unrestricted state grants, property taxes, and statewide sales, services and use tax are the primary sources of revenue for the District. Revenues and expenditures were on target with projections with adjustments per known changes during in the year.

Instruction constitutes the largest portion of expenditures at \$29.3 million or 63.3%. 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 8.95% of total costs.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012



BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

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		
	2011	2012	% Change	2011	2012	% Change
Instructional	\$ 30,123	29,270	-2.83%	(21,679)	(24,034)	10.86%
Support services:						
Student services	1,671	1,737	3.95%	(1,671)	(1,709)	2.27%
Instructional staff services	1,269	1,118	-11.90%	(1,269)	(1,117)	-11.98%
Administration services	3,989	4,137	3.71%	(3,987)	(4,075)	2.21%
Operation and maintenance	3,619	4,138	14.34%	(3,600)	(4,119)	14.42%
Transportation services	1,155	1,268	9.78%	(1,127)	(1,228)	8.96%
Non-instructional programs	40	22	-45.00%	(40)	(7)	-82.50%
Other expenditures:						
Long-term debt interest	1,418	1,418	0.00%	(1,418)	(1,418)	0.00%
AEA flowthrough	1,882	1,703	-9.51%	—	—	—
Depreciation(unallocated)	883	1,424	61.27%	(883)	(1,424)	61.27%
Total expenses	\$ 46,049	46,235	0.40%	(35,674)	(39,131)	9.69%

- The cost of all governmental activities this year was \$46.2 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$5.7 million.
- Net cost of governmental activities (\$39.1) was financed by general revenues, which are made up of primarily property and statewide sales, services and use tax (\$17.7 million), state aid (\$25.2 million), and nonspecific program federal grants (0.7 million). Investment earnings and miscellaneous sources accounted for \$0.6 million.

Business type Activities

Revenues of the District's business type activities were \$2.1 million and expenses were \$1.9 million. 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 an increase in net assets of \$168,602 for fiscal year 2012.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

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 increase in fund balance in the General Fund for the fiscal year was \$2,481,597. The General Fund balance is nonspendable, assigned, unassigned or restricted to indicate that it is not available for spending because it has already been restricted as follows:

- \$244,818 for At Risk Supplemental Weighting
- \$1,452 for Market Factor Incentives
- \$8,842 for Beginning Teacher Mentoring
- \$110,745 for Gifted and Talented
- \$114,626 for Dropout and Dropout Prevention
- \$69,195 for Additional Salary, Professional Development
- \$1,960 for Beginning Administrator Mentoring Program
- \$178,403 for Model Core Curriculum
- \$183,179 for Teacher Salary Supplement
- \$72,883 for Statewide Voluntary Preschool
- \$111,360 for Home School Assistance Program

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

June 30, 2012

Legal Budgetary Highlights

The District’s total actual receipts were \$315,289 more than the total budgeted receipts, a variance of less than 1% for the reasons noted above.

Total expenditures were approximately \$2.77 million less than total budgeted expenditures, a variance of 5.05%.

During the year expenditures in the support services and non-instructional programs functions exceeded the budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the District had invested \$78.97 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 \$2.47 million 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 \$2,206,762.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2012 (in thousands).

	Governmental Activities		Business type Activities		Total		% Change
	2011	2012	2011	2012	2011	2012	
Land and improvements	\$ 3,017	3,208	—	—	3,017	3,208	6.33%
Buildings and improvements	55,898	54,512	—	—	55,898	54,512	-2.48%
Vehicles, furniture and equipment	3,515	3,729	94	76	3,609	3,805	5.43%
Construction in progress	13,970	17,441	—	—	13,970	17,441	24.85%
Total	\$ 76,400	78,890	94	76	76,494	78,966	3.23%

Additional information on the District’s capital assets can be found in Note 4 on page 38 of this report.

Debt Administration. At year-end, the District had \$33,728,951 in other long-term debt outstanding, of which \$2,333,602 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, 2012.

	Amount		% Change
	2011	2012	
Revenue Bonds	\$ 31,790,000	31,790,000	0.0%
Early Retirement	2,569,659	1,799,427	-30.0%
Compensated Absences	144,205	139,524	-3.2%
Total	\$ 34,503,864	33,728,951	-2.2%

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2012

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 \$73,016,069 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 39 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:

- Allowable growth has not been set for the 2013-2014 school year. The Governor's budget recommendation is for 0% allowable growth with new funding for education reform for which the details are not yet available.
- The District's enrollment increased by 102 students. This increase is after several years of stagnant enrollment. The increase in enrollment will generate a minimum of \$613,000 of new revenue
- Federal sequestration could reduce the District's federal revenue by a minimum of 9% for the 2013-2014 school year without federal legislative action.

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, 2012

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,178,443	474,422	21,652,865
Receivables:			
Property tax:			
Delinquent	203,759	0	203,759
Succeeding year	13,853,750	0	13,853,750
Accounts	12,045	0	12,045
Accrued interest	10	0	10
Due from other governments	1,256,405	0	1,256,405
Prepaid expenses	9,250	0	9,250
Inventories	0	45,730	45,730
Net OPEB asset	1,207,152	7,042	1,214,194
Capital assets, net of accumulated depreciation	78,890,167	75,725	78,965,892
TOTAL ASSETS	116,610,981	602,919	117,213,900
LIABILITIES			
Accounts payable	1,590,945	9	1,590,954
Retainage payable	728,506	0	728,506
Salaries and benefits payable	4,209,740	30,002	4,239,742
Due to other governments	110,738	0	110,738
Unearned revenue	0	13,225	13,225
Deferred revenue:			
Succeeding year property tax	13,853,750	0	13,853,750
Other	9,929	3,231	13,160
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	1,440,000	0	1,440,000
Early retirement	754,078	0	754,078
Compensated absences	139,524	4,250	143,774
Portion due after one year:			
Revenue bonds payable	30,350,000	0	30,350,000
Early retirement	1,045,349	0	1,045,349
TOTAL LIABILITIES	54,232,559	50,717	54,283,276
NET ASSETS			
Invested in capital assets, net of related debt	47,100,167	75,725	47,175,892
Restricted for:			
Categorical funding	1,097,463	0	1,097,463
School infrastructure	884,770	0	884,770
Physical plant and equipment	600,248	0	600,248
Debt service	4,582,818	0	4,582,818
Student activities	427,721	0	427,721
Support trust purposes	106,068	0	106,068
Unrestricted	7,579,167	476,477	8,055,644
TOTAL NET ASSETS	\$ 62,378,422	552,202	62,930,624

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 17,388,646	586,637	1,065,556	0	(15,736,453)	0	(15,736,453)
Special	7,802,586	385,641	1,255,855	0	(6,161,090)	0	(6,161,090)
Other	4,078,825	426,131	1,516,870	0	(2,135,824)	0	(2,135,824)
	<u>29,270,057</u>	<u>1,398,409</u>	<u>3,838,281</u>	<u>0</u>	<u>(24,033,367)</u>	<u>0</u>	<u>(24,033,367)</u>
Support services:							
Student	1,737,149	0	28,557	0	(1,708,592)	0	(1,708,592)
Instructional staff	1,118,295	0	1,600	0	(1,116,695)	0	(1,116,695)
Administration	4,136,780	0	61,338	0	(4,075,442)	0	(4,075,442)
Operation and maintenance of plant	4,137,516	0	4,269	14,053	(4,119,194)	0	(4,119,194)
Transportation	1,268,045	2,764	37,312	0	(1,227,969)	0	(1,227,969)
	<u>12,397,785</u>	<u>2,764</u>	<u>133,076</u>	<u>14,053</u>	<u>(12,247,892)</u>	<u>0</u>	<u>(12,247,892)</u>
Non-instructional programs:							
Food service operations	6,822	0	0	0	(6,822)	0	(6,822)
Community service and education operations	14,844	0	14,844	0	0	0	0
	<u>21,666</u>	<u>0</u>	<u>14,844</u>	<u>0</u>	<u>(6,822)</u>	<u>0</u>	<u>(6,822)</u>
Long-term debt interest	1,418,345	0	0	0	(1,418,345)	0	(1,418,345)
Other expenses:							
AEA flowthrough	1,702,734	0	1,702,734	0	0	0	0
Depreciation (unallocated)*	1,424,305	0	0	0	(1,424,305)	0	(1,424,305)
	<u>3,127,039</u>	<u>0</u>	<u>1,702,734</u>	<u>0</u>	<u>(1,424,305)</u>	<u>0</u>	<u>(1,424,305)</u>
Total governmental activities	<u>46,234,892</u>	<u>1,401,173</u>	<u>5,688,935</u>	<u>14,053</u>	<u>(39,130,731)</u>	<u>0</u>	<u>(39,130,731)</u>
Business type activities:							
Support services:							
Administration	52,041	0	0	0	0	(52,041)	(52,041)
Operation and maintenance of plant	1,614	0	0	0	0	(1,614)	(1,614)
	<u>53,655</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(53,655)</u>	<u>(53,655)</u>
Non-instructional programs:							
Food services operations	1,857,698	498,026	1,528,120	0	0	168,448	168,448
Total business type activities	<u>1,911,353</u>	<u>498,026</u>	<u>1,528,120</u>	<u>0</u>	<u>0</u>	<u>114,793</u>	<u>114,793</u>
Total	\$ <u>48,146,245</u>	<u>1,899,199</u>	<u>7,217,055</u>	<u>14,053</u>	<u>(39,130,731)</u>	<u>114,793</u>	<u>(39,015,938)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 13,006,806	0	13,006,806	
Capital outlay				877,572	0	877,572	
Statewide sales, services and use tax				3,801,663	0	3,801,663	
Unrestricted state grants				25,170,575	0	25,170,575	
Nonspecific program federal grants				736,451	0	736,451	
Unrestricted investment earnings				50,393	52	50,445	
Other				443,989	53,757	497,746	
Gain on sale of capital assets				109,665	0	109,665	
Total general revenues				<u>44,197,114</u>	<u>53,809</u>	<u>44,250,923</u>	
Changes in net assets				5,066,383	168,602	5,234,985	
Net assets beginning of year				57,312,039	383,600	57,695,639	
Net assets end of year				\$ <u>62,378,422</u>	<u>552,202</u>	<u>62,930,624</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, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 12,668,891	1,666,420	5,289,740	1,268,056	20,893,107
Receivables:					
Property tax					
Delinquent	170,159	12,211	0	21,389	203,759
Succeeding year	11,839,986	913,767	0	1,099,997	13,853,750
Accounts	6,289	0	0	5,756	12,045
Accrued interest	0	0	0	10	10
Due from other governments	639,775	616,446	0	184	1,256,405
Prepaid expenses	6,750	2,500	0	0	9,250
Total assets	\$ 25,331,850	3,211,344	5,289,740	2,395,392	36,228,326
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 783,084	81,553	706,922	19,386	1,590,945
Retainage payable	0	728,506	0	0	728,506
Salaries and benefits payable	4,207,770	0	0	1,970	4,209,740
Due to other governments	110,738	0	0	0	110,738
Deferred revenue:					
Succeeding year property tax	11,839,986	913,767	0	1,099,997	13,853,750
Other	9,929	0	0	0	9,929
Total liabilities	16,951,507	1,723,826	706,922	1,121,353	20,503,608
Fund balances:					
Nonspendable	6,750	2,500	0	0	9,250
Restricted for:					
Categorical funding	1,097,463	0	0	0	1,097,463
School infrastructure	0	884,770	0	0	884,770
Physical plant and equipment	0	600,248	0	0	600,248
Debt service	0	0	4,582,818	0	4,582,818
Management levy purposes	0	0	0	740,250	740,250
Student activities	0	0	0	427,721	427,721
Support trust purposes	0	0	0	106,068	106,068
Assigned for special purposes	56,541	0	0	0	56,541
Unassigned	7,219,589	0	0	0	7,219,589
Total fund balances	8,380,343	1,487,518	4,582,818	1,274,039	15,724,718
Total liabilities and fund balances	\$ 25,331,850	3,211,344	5,289,740	2,395,392	36,228,326

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds (page 22) \$ 15,724,718

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 78,890,167

Blending of the Internal Service Fund to be reflected at an entity-wide basis. 285,336

Other postemployment benefits are not yet available to finance expenditures of the current fiscal period. 1,207,152

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. (33,728,951)

Net assets of governmental activities (page 20) \$ 62,378,422

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 11,554,388	4,679,235	0	1,452,418	17,686,041
Tuition	888,290	0	0	0	888,290
Other	560,848	15,728	45,954	474,810	1,097,340
State sources	27,772,914	2,321	0	1,187	27,776,422
Federal sources	3,731,117	12,400	0	0	3,743,517
Total revenues	44,507,557	4,709,684	45,954	1,928,415	51,191,610
Expenditures:					
Current:					
Instruction:					
Regular	17,634,790	0	0	1,022,879	18,657,669
Special	7,802,586	0	0	0	7,802,586
Other	3,641,045	0	0	468,685	4,109,730
	29,078,421	0	0	1,491,564	30,569,985
Support services:					
Student	1,762,575	0	0	9,406	1,771,981
Instructional staff	1,110,362	0	0	14,731	1,125,093
Administration	4,182,418	0	0	149,276	4,331,694
Operation and maintenance of plant	3,133,218	0	0	139,838	3,273,056
Transportation	1,060,331	189,017	0	52,636	1,301,984
	11,248,904	189,017	0	365,887	11,803,808
Non-instructional programs:					
Food service operations	0	0	0	6,439	6,439
Community service and education operations	14,844	0	0	0	14,844
	14,844	0	0	6,439	21,283
Other expenditures:					
AEA flowthrough	1,702,734	0	0	0	1,702,734
Capital outlay					
	0	4,622,937	0	0	4,622,937
Long-term debt:					
Interest and fiscal charges	0	0	1,418,345	0	1,418,345
	0	0	1,418,345	0	1,418,345
Total expenditures	42,044,903	4,811,954	1,418,345	1,863,890	50,139,092
Excess(Deficiency)of revenues over (under) expenditures	2,462,654	(102,270)	(1,372,391)	64,525	1,052,518
Other financing sources(uses):					
Sale of capital assets	18,943	131,716	0	0	150,659
Transfers in	0	0	1,683,841	0	1,683,841
Transfers out	0	(1,683,841)	0	0	(1,683,841)
Total other financing sources(uses)	18,943	(1,552,125)	1,683,841	0	150,659
Net change in fund balances	2,481,597	(1,654,395)	311,450	64,525	1,203,177
Fund balance beginning of year	5,898,746	3,141,913	4,271,368	1,209,514	14,521,541
Fund balance end of year	\$ 8,380,343	1,487,518	4,582,818	1,274,039	15,724,718

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
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (page 24) \$ 1,203,177

**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	\$ 4,719,455	
Depreciation expense	(2,188,272)	
Loss on disposal of capital assets	(40,994)	2,490,189

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	770,232	
Compensated absences	4,681	
Other postemployment benefits	507,985	1,282,898

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

90,119

Changes in net assets of governmental activities (page 21) \$ 5,066,383

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Assets		
Current assets:		
Cash and cash equivalents	\$ 474,422	285,336
Inventories	45,730	0
Net OPEB asset	7,042	0
Total current assets	527,194	285,336
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	75,725	0
Total non-current assets	75,725	0
Total assets	602,919	285,336
Liabilities		
Accounts payable	9	0
Salaries and benefits payable	30,002	0
Unearned revenue	13,225	0
Deferred revenue:		
Other	3,231	0
Total current liabilities	46,467	0
Long-term liabilities:		
Compensated absences	4,250	0
Total long-term liabilities	4,250	0
Total liabilities	50,717	0
Net assets		
Investment in capital assets	75,725	0
Unrestricted	476,477	285,336
Total net assets	\$ 552,202	285,336

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 498,026	7,048,704
Miscellaneous	53,757	0
Total operating revenues	<u>551,783</u>	<u>7,048,704</u>
Operating expenses:		
Support services:		
Administration:		
Salaries	25,042	0
Benefits	11,310	0
Services	15,320	0
Supplies	369	0
	<u>52,041</u>	<u>0</u>
Operation and maintenance of plant:		
Services	856	0
Supplies	758	0
	<u>1,614</u>	<u>0</u>
Total support services	<u>53,655</u>	<u>0</u>
Non-instructional programs:		
Food service operations:		
Salaries	614,929	0
Benefits	134,605	0
Services	395	0
Supplies	1,089,032	0
Depreciation	18,490	0
Other	247	0
	<u>1,857,698</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	6,958,585
Total non-instructional programs	<u>1,857,698</u>	<u>6,958,585</u>
Total operating expenses	<u>1,911,353</u>	<u>6,958,585</u>
Operating income(loss)	<u>(1,359,570)</u>	<u>90,119</u>
Non-operating revenues:		
State sources	18,741	0
Federal sources	1,509,379	0
Interest income	52	0
Total non-operating revenues	<u>1,528,172</u>	<u>0</u>
Changes in net assets	168,602	90,119
Net assets beginning of year	<u>383,600</u>	<u>195,217</u>
Net assets end of year	<u>\$ 552,202</u>	<u>285,336</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	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	\$ 497,606	0
Cash received from miscellaneous operating activities	53,757	7,048,704
Cash payments to employees for services	(790,043)	0
Cash payments to suppliers for goods or services	(979,549)	(6,958,585)
Net cash provided by(used in) operating activities	<u>(1,218,229)</u>	<u>90,119</u>
Cash flows from non-capital financing activities:		
State grants received	18,741	0
Federal grants received	1,377,681	0
Net cash provided by non-capital financing activities	<u>1,396,422</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	52	0
Net increase in cash and cash equivalents	178,245	90,119
Cash and cash equivalents at beginning of year	296,177	195,217
Cash and cash equivalents at end of year	<u>\$ 474,422</u>	<u>285,336</u>
Reconciliation of operating loss to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (1,359,570)	90,119
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Commodities consumed	131,572	0
Depreciation	18,490	0
Increase in inventories	(3,167)	0
Decrease in accounts receivable	394	0
Decrease in accounts payable	(977)	0
Decrease in salaries and benefits payable	(2,539)	0
Decrease in deferred revenue	(814)	0
Increase in compensated absences	1,345	0
Decrease in other postemployment benefits	(2,963)	0
Net cash provided by(used in) operating activities	<u>\$ (1,218,229)</u>	<u>90,119</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$131,572.

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private Purpose Trust Scholarship
ASSETS	
Cash and pooled investments	\$ 90,954
Accrued interest	86
TOTAL ASSETS	<u>91,040</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Restricted for scholarships	<u>\$ 91,040</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 5,689
Interest income	537
Other	587
TOTAL ADDITIONS	6,813
DEDUCTIONS:	
Support services:	
Administration:	
Services	5,350
Non-instructional programs:	
Other enterprise operations:	
Supplies	1,000
TOTAL DEDUCTIONS	6,350
Change in net assets	463
Net assets beginning of year	90,577
Net assets end of year	\$ 91,040

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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. Combining schedules are also included for the Capital Project Fund accounts.

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.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - nonspendable, assigned and then unassigned fund balances.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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.

Due to Other Governments - Due to other governments represents amounts due to the State of Iowa, local educational agencies, and other governments.

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, 2012. 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, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

During the year ended June 30, 2012 expenditures in the support services and non-instructional programs functional areas exceeded the budgeted amounts.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 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, 2012 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$14,034,033 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects:	
	Statewide Sales,	
	Services and Use Tax	<u>\$ 1,683,841</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,875,843	0	18,434	2,857,409
Construction in progress	13,969,679	3,471,657	0	17,441,336
Total capital assets not being depreciated	<u>16,845,522</u>	<u>3,471,657</u>	<u>18,434</u>	<u>20,298,745</u>
Capital assets being depreciated:				
Buildings	69,669,224	8,973	232,268	69,445,929
Land improvements	686,290	260,883	25,908	921,265
Machinery and equipment	15,699,353	977,942	372,953	16,304,342
Total capital assets being depreciated	<u>86,054,867</u>	<u>1,247,798</u>	<u>631,129</u>	<u>86,671,536</u>
Less accumulated depreciation for:				
Buildings	13,770,894	1,378,242	214,888	14,934,248
Land improvements	544,801	46,063	20,728	570,136
Machinery and equipment	12,184,716	763,967	372,953	12,575,730
Total accumulated depreciation	<u>26,500,411</u>	<u>2,188,272</u>	<u>608,569</u>	<u>28,080,114</u>
Total capital assets being depreciated, net	<u>59,554,456</u>	<u>(940,474)</u>	<u>22,560</u>	<u>58,591,422</u>
Governmental activities capital assets, net	<u>\$ 76,399,978</u>	<u>2,531,183</u>	<u>40,994</u>	<u>78,890,167</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 541,065	0	0	541,065
Less accumulated depreciation	446,850	18,490	0	465,340
Business type activities capital assets, net	<u>\$ 94,215</u>	<u>(18,490)</u>	<u>0</u>	<u>75,725</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 395,840
Support services:		
Administration		106,150
Operation and maintenance		79,264
Transportation		182,713
		<u>763,967</u>
Unallocated depreciation		<u>1,424,305</u>
Total governmental activities depreciation expense		<u>\$ 2,188,272</u>
Business type activities:		
Food services		<u>\$ 18,490</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 31,790,000	0	0	31,790,000	1,440,000
Early Retirement	2,569,659	275,666	1,045,898	1,799,427	754,078
Compensated Absences	144,205	139,524	144,205	139,524	139,524
Total	\$ 34,503,864	415,190	1,190,103	33,728,951	2,333,602

Revenue Bonds

Details of the District's June 30, 2012 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
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	5.00	0	500,064	2016	4.96	0	421,514
2017	5.00	0	500,064	2017	4.96	0	421,514
2018-2022	5.00	1,345,000	2,479,539	2018-2022	4.96	610,000	2,093,540
2023-2027	4.38-4.90	5,005,000	1,738,180	2023-2027	4.60-4.90	4,585,000	1,443,774
2028-2030	5.00-5.35	3,650,000	395,504	2028-2030	5.00-5.15	3,305,000	258,627
Total		\$ 10,000,000	7,113,543			\$ 8,500,000	5,903,511

Bond issue of December 1, 2009 Series C				Total		
Year Ending June 30,	Interest Rate	Principal	Interest	Principal	Interest	Total
2013	3.70	1,440,000	481,543	\$ 1,440,000	1,403,121	2,843,121
2014	3.00	1,460,000	438,118	1,460,000	1,359,696	2,819,696
2015	3.00	1,485,000	392,317	1,485,000	1,313,895	2,798,895
2016	3.50	1,520,000	340,080	1,520,000	1,261,658	2,781,658
2017	3.50	1,550,000	284,593	1,550,000	1,206,171	2,756,171
2018-2022	4.00-4.50	5,650,000	516,551	7,605,000	5,089,630	12,694,630
2023-2027	4.50	185,000	10,575	9,775,000	3,192,529	12,967,529
2028-2030	-	0	0	6,955,000	654,131	7,609,131
Total		\$ 13,290,000	2,463,777	\$ 31,790,000	15,480,831	47,270,831

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, 2010 and December 1, 2010, 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 37 percent of statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$47,270,831. For the current year interest of \$1,413,845 was paid on the bonds and total statewide sales, services and use tax revenues were \$3,801,663.

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 2012 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 2012. 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, 2012, totaled \$1,045,898.

(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 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,932,389, \$1,664,199 and \$1,629,609, 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 401 active and 118 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 468,977
Interest on net OPEB obligation	(21,097)
Adjustment to annual required contribution	<u>35,357</u>
Annual OPEB cost	483,237
Contributions made	(994,185)
Increase in net OPEB obligation	<u>(510,948)</u>
Net OPEB obligation beginning of year	<u>(703,246)</u>
Net OPEB obligation end of year	<u><u>\$ (1,214,194)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2012.

For the year ended June 30, 2012, the District contributed \$994,185 to the medical plan. Plan members eligible for benefits contributed \$817,542, or 45.13% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 771,378	110.96 %	\$ (66,596)
2011	470,327	235.36	(703,246)
2012	483,237	205.73	(1,214,194)

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$5,853,640, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,853,640. The covered payroll (annual payroll of active employees covered by the plan) was \$19,273,327, and the ratio of the UAAL to covered payroll was 30.37%. As of June 30, 2012 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, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 3% discount rate based on the District's funding

policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 4% 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 \$776 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 \$1,702,734 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's restricted balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
At-Risk Supplemental Weighting	\$ 244,818
Market Factor Incentives	1,452
Beginning Teacher Mentoring	8,842
Gifted and Talented	110,745
Dropout and Dropout Prevention	114,626
Professional Development	69,195
Beginning Administrator and Mentoring	1,960
Model Core Curriculum	178,403
Teacher Salary Supplement	183,179
Statewide Voluntary Preschool	72,883
Home School Assistance Program	111,360
Total	<u><u>\$ 1,097,463</u></u>

(11) Construction Commitment

The District has entered into contracts totaling \$18,169,842 for construction of the Southwest Middle School building. As of June 30, 2012, costs of \$17,441,336 had been incurred against the contracts. The balance of \$728,506 remaining at June 30, 2012 will be paid as work progresses.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the support services and non-instructional programs functional areas exceeded the certified budget.

(13) Assigned Fund Balances

The District's assigned fund balance for special purposes at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Admin Building	\$ 3,409
High School	18,916
Alternative High School	688
Edward Stone	2,293
Aldo Leopold	919
Black Hawk	8,342
Grimes	11,984
North Hill	1,768
Sunnyside	8,222
	<hr/>
Total	<u>\$ 56,541</u>

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 19,671,671	551,835	20,223,506	20,411,877	20,411,877	(188,371)
State sources	27,776,422	18,741	27,795,163	27,746,332	27,746,332	48,831
Federal sources	3,743,517	1,509,379	5,252,896	4,798,067	4,798,067	454,829
Total revenues	51,191,610	2,079,955	53,271,565	52,956,276	52,956,276	315,289
Expenditures/Expenses:						
Instruction	30,569,985	0	30,569,985	32,817,448	32,817,448	2,247,463
Support services	11,803,808	53,655	11,857,463	11,634,644	11,634,644	(222,819)
Non-instructional programs	21,283	1,857,698	1,878,981	1,798,334	1,798,334	(80,647)
Other expenditures	7,744,016	0	7,744,016	8,570,521	8,570,521	826,505
Total expenditures/expenses	50,139,092	1,911,353	52,050,445	54,820,947	54,820,947	2,770,502
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,052,518	168,602	1,221,120	(1,864,671)	(1,864,671)	3,085,791
Other financing sources, net	150,659	0	150,659	10,000	10,000	140,659
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,203,177	168,602	1,371,779	(1,854,671)	(1,854,671)	3,226,450
Balance beginning of year	14,521,541	383,600	14,905,141	12,955,125	12,955,125	1,950,016
Balance end of year	\$ 15,724,718	552,202	16,276,920	11,100,454	11,100,454	5,176,466

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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, 2012 expenditures in the support services and non-instructional programs functional areas exceeded the budgeted amounts.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ 0	\$ 7,818,097	\$ 7,818,097	0.00	% \$ 19,707,358	39.67 %
2011	July 1, 2010	0	5,853,640	5,853,640	0.00	22,082,453	26.51
2012	July 1, 2010	0	5,853,640	5,853,640	0.00	19,273,327	30.37

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue			
	Manage- ment Levy	Student Activity	Support Trust	Total
Assets				
Cash and pooled investments	\$ 725,082	436,916	106,058	1,268,056
Receivables:				
Property tax				
Delinquent	21,389	0	0	21,389
Succeeding year	1,099,997	0	0	1,099,997
Accounts	5,756	0	0	5,756
Accrued interest	0	0	10	10
Due from other governments	184	0	0	184
Total assets	\$ 1,852,408	436,916	106,068	2,395,392
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 12,161	7,225	0	19,386
Salary and benefits payable	0	1,970	0	1,970
Deferred revenue:				
Succeeding year property tax	1,099,997	0	0	1,099,997
Total liabilities	1,112,158	9,195	0	1,121,353
Fund balances:				
Restricted for:				
Management levy purposes	740,250	0	0	740,250
Student activities	0	427,721	0	427,721
Support trust purposes	0	0	106,068	106,068
Total fund balances	740,250	427,721	106,068	1,274,039
Total liabilities and fund balances	\$ 1,852,408	436,916	106,068	2,395,392

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue			
	Manage- ment Levy	Student Activity	Support Trust	Total
Revenues:				
Local sources:				
Local tax	\$ 1,452,418	0	0	1,452,418
Other	21,858	423,148	29,804	474,810
State sources	1,187	0	0	1,187
Total revenues	<u>1,475,463</u>	<u>423,148</u>	<u>29,804</u>	<u>1,928,415</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,014,175	0	8,704	1,022,879
Other	0	462,401	6,284	468,685
Support services:				
Student	9,406	0	0	9,406
Instructional staff	3,816	0	10,915	14,731
Administration	149,181	95	0	149,276
Operation and maintenance of plant	139,838	0	0	139,838
Transportation	52,636	0	0	52,636
Non-instructional programs:				
Food service operations	6,439	0	0	6,439
Total expenditures	<u>1,375,491</u>	<u>462,496</u>	<u>25,903</u>	<u>1,863,890</u>
Net change in fund balances	99,972	(39,348)	3,901	64,525
Fund balances beginning of year	640,278	467,069	102,167	1,209,514
Fund balances end of year	<u>\$ 740,250</u>	<u>427,721</u>	<u>106,068</u>	<u>1,274,039</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,062,397	604,023	1,666,420
Receivables:			
Property tax:			
Delinquent	0	12,211	12,211
Succeeding year	0	913,767	913,767
Due from other governments	602,290	14,156	616,446
Prepaid expense	0	2,500	2,500
TOTAL ASSETS	\$ 1,664,687	1,546,657	3,211,344
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 51,411	30,142	81,553
Retainage payable	728,506	0	728,506
Deferred revenue:			
Succeeding year property tax	0	913,767	913,767
Total liabilities	779,917	943,909	1,723,826
Fund balances:			
Nonspendable	0	2,500	2,500
Restricted for:			
School infrastructure	884,770	0	884,770
Physical plant and equipment	0	600,248	600,248
Total fund balances	884,770	602,748	1,487,518
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,664,687	1,546,657	3,211,344

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUE:			
Local sources:			
Local tax	\$ 3,801,663	877,572	4,679,235
Other	15,667	61	15,728
State sources	0	2,321	2,321
Federal sources	0	12,400	12,400
Total revenue	<u>3,817,330</u>	<u>892,354</u>	<u>4,709,684</u>
EXPENDITURES:			
Current:			
Support services:			
Transportation	0	189,017	189,017
Capital outlay	3,500,113	1,122,824	4,622,937
Total expenditures	<u>3,500,113</u>	<u>1,311,841</u>	<u>4,811,954</u>
Excess(Deficiency) of revenues over(under) expenditures	317,217	(419,487)	(102,270)
Other financing sources(uses):			
Sale of capital assets	0	131,716	131,716
Transfer out	(1,683,841)	0	(1,683,841)
Total other financing sources(uses)	<u>(1,683,841)</u>	<u>131,716</u>	<u>(1,552,125)</u>
Net change in fund balances	(1,366,624)	(287,771)	(1,654,395)
Fund Balances beginning of year	<u>2,251,394</u>	<u>890,519</u>	<u>3,141,913</u>
Fund Balances end of year	<u>\$ 884,770</u>	<u>602,748</u>	<u>1,487,518</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
UNIVERSITY HIGH SCHOOL:				
ACTIVITY	211	950	1,161	0
SENIOR HIGH SCHOOL:				
ACTIVITY	8,385	5,932	1,289	13,028
DRAMA	0	1,505	1,505	0
CHORAL	5,598	6,003	0	11,601
PURPLE AIRES	3,006	0	0	3,006
ORCHESTRA/CHAMBER	7,579	24,217	31,796	0
BAND/COLOR GUARD	0	1,657	1,657	0
JAZZ BAND	301	0	0	301
MUSIC/DRAMA	5,784	1,117	1,638	5,263
MIDDLE SCHOOL ATHLETICS	10,328	15,555	19,324	6,559
FUTURE GRAYHOUND BBALL	5,097	0	0	5,097
GENERAL ATHLETICS	100,515	44,300	56,199	88,616
CHEERLEADERS	3,486	2,112	4,717	881
FUTURE GRAYHOUND SWIMMING	8,682	670	1,927	7,425
ART CLUB	5,414	188	1,041	4,561
KIWANIS KEY CLUB	216	10,371	10,587	0
PURPLE AND GRAY	186	0	2	184
INTERNATIONAL CLUB	324	1,132	1,456	0
PATHFINDER	25,116	23,015	18,987	29,144
ECOLOGY CLUB	2,538	210	179	2,569
SADD	1,796	2,012	2,737	1,071
VARSITY CLUB	7,811	18,837	20,193	6,455
RENAISSANCE SCHOLARSHIP	35	0	35	0
RENAISSANCE STORE	0	27,301	27,266	35
CLASS OF 2006	2,685	152	1,711	1,126
CLASS OF 2007	25	6,066	4,679	1,412
CLASS OF 2010	14,273	0	0	14,273
CLASS OF 2011	726	0	0	726
NATIONAL HONOR SOCIETY	502	650	661	491
STUDENT COUNCIL	27,593	26,275	26,572	27,296
HERO	1,438	2,450	2,044	1,844
IA CLUB	794	0	794	0
TECHNOLOGY STUDENT	2,503	2,833	4,209	1,127
DECA	2,589	0	0	2,589
BPA CLUB	121	0	0	121
DANCE TEAM	0	3,463	3,463	0
SELF-CONTAINED FUNDRAISER	263	0	0	263

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
BOYS ATHLETICS:				
BASKETBALL	42,223	27,816	22,788	47,251
FOOTBALL	53,320	33,838	51,855	35,303
SWIMMING	5,222	7,512	6,567	6,167
WRESTLING	930	7,598	6,495	2,033
TRACK	1,070	5,595	5,646	1,019
CROSS COUNTRY TRACK	1,906	3,280	2,846	2,340
BASEBALL	0	15,279	15,279	0
TENNIS	671	100	634	137
GOLF	1,153	1,935	2,225	863
SOCCER	736	21,373	17,550	4,559
GIRLS ATHLETICS:				
SOCCER	1,815	2,078	2,358	1,535
BASKETBALL	20,122	11,492	12,332	19,282
VOLLEYBALL	6,483	7,179	6,694	6,968
SWIMMING	9,631	4,224	5,723	8,132
SOFTBALL	0	15,620	15,354	266
TRACK	2,094	1,420	3,510	4
TENNIS	0	2,650	1,926	724
GOLF	2,563	875	1,854	1,584
TOTAL HIGH SCHOOL	397,263	397,924	428,304	362,240
JAMES MADISON	17,926	9,163	9,973	17,116
OAK STREET	15,646	6,754	8,891	13,509
CENTRAL AVENUE	1,528	0	1,528	0
CORSE	2,243	0	194	2,049
BLACK HAWK	5,427	1,150	4,264	2,313
GRIMES	6,664	1,230	3,937	3,957
NORTH HILL	2,049	3,175	1,053	4,171
PERKINS	729	0	729	0
SUNNYSIDE	8,998	2,802	2,462	9,338
Total	\$ 467,069	423,148	462,496	427,721

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
GUEGLER TRUST	\$ 12,209	1,832	0	14,041
JOHN H WITTE FOUNDATION	50,657	15,017	10,416	55,258
ED FOUNDATION SP. PROGRAM	15,406	8,569	9,203	14,772
BHS MUSIC PATRONS	5,235	0	0	5,235
BHS WAGNER MEMORIAL	2,375	4,323	3,682	3,016
BHS W DUKE FIELD IMP	11,738	63	2,602	9,199
BHS ATH TRACK MAINTENANCE	4,547	0	0	4,547
Total	<u>\$ 102,167</u>	<u>29,804</u>	<u>25,903</u>	<u>106,068</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS, PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Beginning Net Assets	Additions	Deductions	Ending Net Assets
JEFFERSON NURSE SCHOLARSHIP	\$ 0	250	0	250
CONNER TRUST FUND	331	587	600	318
BHS ADAMS EX SCH	33,196	388	0	33,584
BHS RENAISSANCE	27	0	0	27
BHS E BEDELL MEMORIAL	1,069	6	0	1,075
BHS HABERICHTER MEMORIAL	753	8	50	711
BHS JOHANNSEN SCHOLARSHIP	11,329	1,536	200	12,665
BHS PERRINE SCHOLARSHIP	2,538	16	150	2,404
WEHMAN SCHOLARSHIP	4,601	31	0	4,632
BHS STUDENT COUNCIL SCHOOL	6,258	3,634	3,250	6,642
BHS ECOLOGY SCHOOL	672	305	700	277
BHS HUPPENBAUER SCIENCE	10,548	52	1,000	9,600
BHS BERQUIST MUSIC	17,817	0	0	17,817
BHS J FRANKLIN	1,438	0	400	1,038
Total	\$ 90,577	6,813	6,350	91,040

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 17,686,041	18,141,425	16,866,587	16,638,519	16,463,709	16,354,075	15,911,175	14,817,806	14,437,893
Tuition	888,290	844,437	775,253	877,646	756,547	751,509	724,325	629,047	400,164
Other	1,097,340	1,236,677	1,113,665	1,462,413	2,045,590	1,640,911	1,473,875	1,258,664	1,378,640
Intermediate sources	0	0	0	11,245	0	0	0	1,023	7,334
State sources	27,776,422	26,764,662	22,741,368	25,981,710	25,541,514	23,427,059	21,905,926	21,108,794	20,775,596
Federal sources	3,743,517	4,152,096	6,271,850	3,143,931	2,023,399	1,985,958	1,879,744	1,974,177	1,772,182
Total	\$ 51,191,610	51,139,297	47,768,723	48,115,464	46,830,759	44,159,512	41,895,045	39,789,511	38,771,809
Expenditures:									
Instruction:									
Regular	\$ 18,657,669	19,000,323	19,278,925	19,065,852	17,869,515	16,573,349	16,027,162	15,527,182	16,072,939
Special	7,802,586	7,537,060	7,262,052	7,026,127	6,863,234	6,563,641	6,197,518	5,993,163	7,665,529
Other	4,109,730	4,274,692	4,375,497	3,840,035	3,771,575	3,715,980	3,736,274	3,640,329	1,798,760
Support services:									
Student	1,771,981	1,690,262	1,761,886	1,740,967	1,555,284	1,241,861	1,063,366	983,854	960,997
Instructional staff	1,125,093	1,357,465	1,054,141	953,983	976,213	982,040	968,943	1,329,455	898,928
Administration	4,331,694	4,207,196	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	3,273,056	3,224,202	3,052,580	3,103,472	3,068,225	2,924,652	3,472,421	2,923,220	2,828,457
Transportation	1,301,984	1,181,520	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	0	0	188,782
Non-instructional programs	21,283	39,689	36,378	28,231	133,491	124,655	151,791	284,079	447,661
Capital outlay	4,622,937	10,350,553	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	0	0	20,557,713	1,800,319	1,741,957	9,818,011	980,000	655,000
Interest and fiscal charges	1,418,345	1,418,345	1,520,176	1,263,199	547,319	178,587	314,009	338,113	298,387
Other expenditures:									
AEA flow-through	1,702,734	1,882,597	1,821,651	1,640,819	1,569,795	1,481,857	1,383,688	1,376,228	1,399,050
Total	\$ 50,139,092	56,163,904	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, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 11	\$ <u>688</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	FY 11	<u>626</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	275,546
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	1,158,089 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 12	<u>7,020</u>
			<u>1,440,655</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 12	<u>68,098</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0882-GC	206,116
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0882-G	1,089,753
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 12	7,568
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 12	<u>19,538</u>
			<u>1,322,975</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	84.013	FY 12	<u>18,386</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	<u>72,754</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 12	<u>10,270</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 12	<u>945</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 12	<u>258,417</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 12	<u>26,507</u>
EDUCATION JOBS FUND	84.410	FY 11	722,720
EDUCATION JOBS FUND	84.410	FY 12	<u>13,731</u>
			<u>736,451</u>

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED) :			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 12	259,735
SPECIAL EDUCATION - GRANTS TO STATES (IDEA SUBGRANT)	84.027	FY 12	5,000
			264,735
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION:			
HAZARD MITIGATION GRANT	97.039	FY 12	12,400
TOTAL			\$ 4,233,907

* - Includes \$131,572 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.

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2013. 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

The management of Burlington Community School District is responsible for establishing and maintaining effective 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a significant deficiency.

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, 2012 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.

January 17, 2013

NOLTE, CORNMAN & JOHNSON, P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50209-3040
Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of Burlington Community School District's major federal programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Burlington Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Burlington Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Burlington Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 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 material weaknesses, as defined above.

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

Handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson PC".

NOLTE, CORNMAN & JOHNSON, P.C.

January 17, 2013

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was 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:
 - Individual:
 - CFDA Number 84.410 - Education Jobs Fund
 - Clustered:
 - CFDA Number 84.010 - Title I Grant to Local Educational Agencies
 - CFDA Number 84.010 - Title I Schools in Need of Assistance
 - 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 84.027 - Special Education - Grants to States(IDEA Subgrant)
- (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, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Business Procedures - It was noted that the District implemented new business procedures during the fiscal 11-12 year, one of which required District Administrators to return to the business office an acknowledgement that they had received and reviewed their budget reports. We noted that on numerous occasions several administrators had not followed this procedure.

Recommendation - The District should review its Business Procedures Manual with employees and ensure that all employees are following District policies.

Response - The policy will be reviewed with Administrators and the importance of the internal control procedure conveyed.

Conclusion - Response accepted.

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.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the amount budgeted in the support services and non-instructional programs functions.

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

Response - The District will make every effort to amend the budget if necessary.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements - We noted during our audit that the District purchased gift cards for talent show awards during the year from the Student Activity Fund. These items do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District does not allow the purchase of gift cards and will communicate this policy to employees.

Conclusion - Response accepted.

IV-C-12 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-12 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-12 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 Retention of Supporting Documentation - During our audit we noted that the District has athletic officials assigned to them by their conference which uses the Arbiter System. It appears they would have a contract with their athletic conference for this service. We were unable to view the contract to ensure that it included the Board President's signature as required by Chapter 291.1 of the Code of Iowa.

Recommendation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork and invoices for the District.

Response - The Arbiter Service is provided to all area schools. The District will investigate to determine if a contract is required.

Conclusion - Response accepted.

IV-M-12 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Purchases of Instructional Supplies - We noted during our audit purchases from the District's AL Activity Fund account and the Corse Activity Fund account within the Student Activity Fund that appear to be instructional in nature.

Recommendation - These receipts and expenditures appear to be more appropriate in the General Fund.

Response - The District will make every effort to avoid ineligible expenditures being made out of the Student Activity Funds.

Conclusion - Response accepted.

Scholarship awards: It appears that the District awards scholarships to students from proceeds generated from activities recorded in the Thespian and FFA accounts.

Recommendation - Scholarship awards to students are most appropriately handled through the Private Purpose Trust Fund. The District should determine the amount of scholarships to be awarded to students and receipt the proceeds and record subsequent expenditures in the Private Purpose Trust Fund.

Response - All scholarships are to be paid out of the Trust Fund. The High School has been reminded of the proper expenditure codes and the scholarship expenditure was corrected.

Conclusion - Response accepted.

IV-N-12 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,251,394
Revenues:		
Sales tax revenues	\$ 3,801,663	
Other local revenues	15,667	3,817,330
		<u>6,068,724</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 3,318,200	
Equipment	58,573	
Other	123,340	
Transfers to other funds:		
Debt service fund	1,683,841	5,183,954
		<u>5,183,954</u>
Ending balance		<u><u>\$ 884,770</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.