

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

JUNE 30, 2013

TABLE OF CONTENTS

		<u>Page</u>
Officials		3
Independent Auditor’s Report		4-5
Management Discussion and Analysis (MD&A)		7-18
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	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 Position	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 Position	G	26
Statement of Revenues, Expenses and Changes in Fund Net Position	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	29
Statement of Changes in Fiduciary Net Position	K	30
Notes to Financial Statements		31-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Projects Accounts:		
Combining Balance Sheet	3	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52-53
Schedule of Changes in Special Revenue Fund, Support Trust Account	6	54
Schedule of Changes in Fiduciary Position, Private-Purpose Trust Accounts	7	55
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	56
Schedule of Expenditures of Federal Awards	9	57
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>		58-59
Independent Auditor’s Report on Compliance for Each Major Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		60-61
Schedule of Findings and Questioned Costs		62-64

Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Marlis Robberts	President	2015
Darven Kendell	Vice President	2013
Linda Garwood	Vice President	2013
Tammy Darnell	Board Member	2015
Dean Vickstrom	Board Member	2013
Mike Shinn	Board Member	2015
Michael Warner	Board Member	2015

School Officials

Jane Evans	Superintendent	2013
Chris Stensland	Board Secretary/Treasurer	2013
Drew Bracken	Attorney	2013

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:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Burlington Community School District, Burlington, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Burlington Community School District at June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 18 and 44 through 46 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 nine years ended June 30, 2012(which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2014, 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 in considering Burlington Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 24, 2014
Newton, Iowa

Burlington Community School District

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities increased \$949,806. This is primarily due to an 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 \$44.8 million of the government-wide revenue, or 82.47% of total fiscal year 2013 revenue. Program specific government-wide revenues in the form of charges for services and grants, and contributions accounted for \$9.5 million or 17.53% of the total fiscal year 2013 revenues.
- The District had approximately \$53.3 million of government-wide expenses; of which \$9.5 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$44.8 million provided for the remaining costs of these programs.
- The General Fund had \$45.2 million in fiscal year 2013 revenues, which primarily consisted of state aid and property taxes, and 45.5 million in expenditures. The General Fund's fund balance decreased approximately 2.56% during fiscal year 2013, due in part to increased instructional expenses.
- The District's total bonded debt increased to \$32,665,000 during the fiscal year 2013. This was due to the District issuing advance refunding bonds during the year. The District also began making payments on its revenue bonds during the 2013 fiscal year.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2013

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 position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 2013

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 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 42 of this report.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2013

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 position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in net position	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
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, 2013

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 44 to 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$64.0 million as of June 30, 2013.

A large portion of the District's net position 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 \$33.9 million in long-term liabilities (see Note 5 on page 37-39); including revenue bonds, termination benefits 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, 2013

The following table presents a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

	Condensed Statement of Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 39,132,069	37,720,814	670,064	527,194	39,802,133	38,248,008	4.06%
Capital assets	79,256,050	78,890,167	88,826	75,725	79,344,876	78,965,892	0.48%
Total assets	<u>118,388,119</u>	<u>116,610,981</u>	<u>758,890</u>	<u>602,919</u>	<u>119,147,009</u>	<u>117,213,900</u>	<u>1.65%</u>
Long-term obligations	33,871,794	33,728,951	5,354	4,250	33,877,148	33,733,201	0.43%
Other liabilities	21,188,097	20,503,608	57,097	46,467	21,245,194	20,550,075	3.38%
Total liabilities	<u>55,059,891</u>	<u>54,232,559</u>	<u>62,451</u>	<u>50,717</u>	<u>55,122,342</u>	<u>54,283,276</u>	<u>1.55%</u>
Net position:							
Invested in capital assets, net of related debt	46,591,050	47,100,167	88,826	75,725	46,679,876	47,175,892	-1.05%
Restricted	8,215,217	7,699,088	-	-	8,215,217	7,699,088	6.70%
Unrestricted	8,521,961	7,579,167	607,613	476,477	9,129,574	8,055,644	13.33%
Total net position	<u>\$ 63,328,228</u>	<u>62,378,422</u>	<u>696,439</u>	<u>552,202</u>	<u>64,024,667</u>	<u>62,930,624</u>	<u>1.74%</u>

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

The District's combined net position increased by 1.74% of \$1.09 million, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$0.52 million, or 6.70% from the prior year. This was the result of the increase in fund balance of the Statewide Sales, Services and Use Tax Fund.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net position increased \$1.07 million or 13.33%.

Change in net position. The District's total revenues for the fiscal year ended June 30, 2013 were \$54.3 million. The total cost of all programs and services was approximately \$53.3 million. The following table presents a summary of the changes in net position for the fiscal year ended June 30, 2013 compared to June 30, 2012.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2013

	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 1,340,225	1,401,173	473,287	498,026	1,813,512	1,899,199	-4.51%
Operating grants, contributions and restricted interest	5,759,070	5,688,935	1,576,099	1,528,120	7,335,169	7,217,055	1.64%
Capital grants, contributions and restricted interest	375,597	14,053	-	-	375,597	14,053	2572.72%
General revenues:							
Property tax	13,877,877	13,884,378	-	-	13,877,877	13,884,378	-0.05%
Statewide sales, services and use tax	3,951,878	3,801,663	-	-	3,951,878	3,801,663	3.95%
Unrestricted state grants	26,443,743	25,170,575	-	-	26,443,743	25,170,575	5.06%
Nonspecific program federal revenues	-	736,451	-	-	-	736,451	-100.00%
Unrestricted interest income	2,694	50,393	20	52	2,714	50,445	-94.62%
Other	498,500	443,989	45,848	53,757	544,348	497,746	9.36%
Gain on sale of capital assets	-	109,665	-	-	-	109,665	-100.00%
Total revenues	52,249,584	51,301,275	2,095,254	2,079,955	54,344,838	53,381,230	1.81%
Program expenses:							
Governmental activities:							
Instruction	32,443,939	29,270,057	-	-	32,443,939	29,270,057	10.84%
Support services	14,504,466	12,397,785	49,409	53,655	14,553,875	12,451,440	16.89%
Non-instructional programs	14,137	21,666	1,901,608	1,857,698	1,915,745	1,879,364	1.94%
Other expenses	4,337,236	4,545,384	-	-	4,337,236	4,545,384	-4.58%
Total expenses	51,299,778	46,234,892	1,951,017	1,911,353	53,250,795	48,146,245	10.60%
Changes in net position	949,806	5,066,383	144,237	168,602	1,094,043	5,234,985	-79.10%
Net position beginning of year	62,378,422	57,312,039	552,202	383,600	62,930,624	57,695,639	9.07%
Net position end of year	\$ 63,328,228	62,378,422	696,439	552,202	64,024,667	62,930,624	1.74%

Governmental Activities

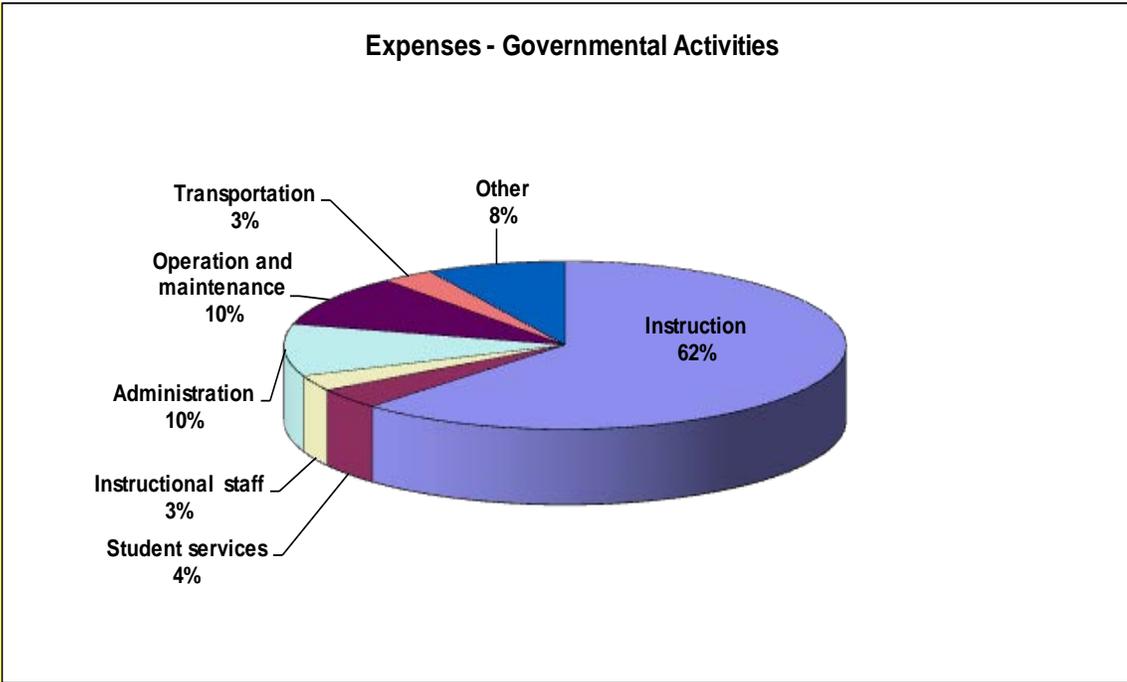
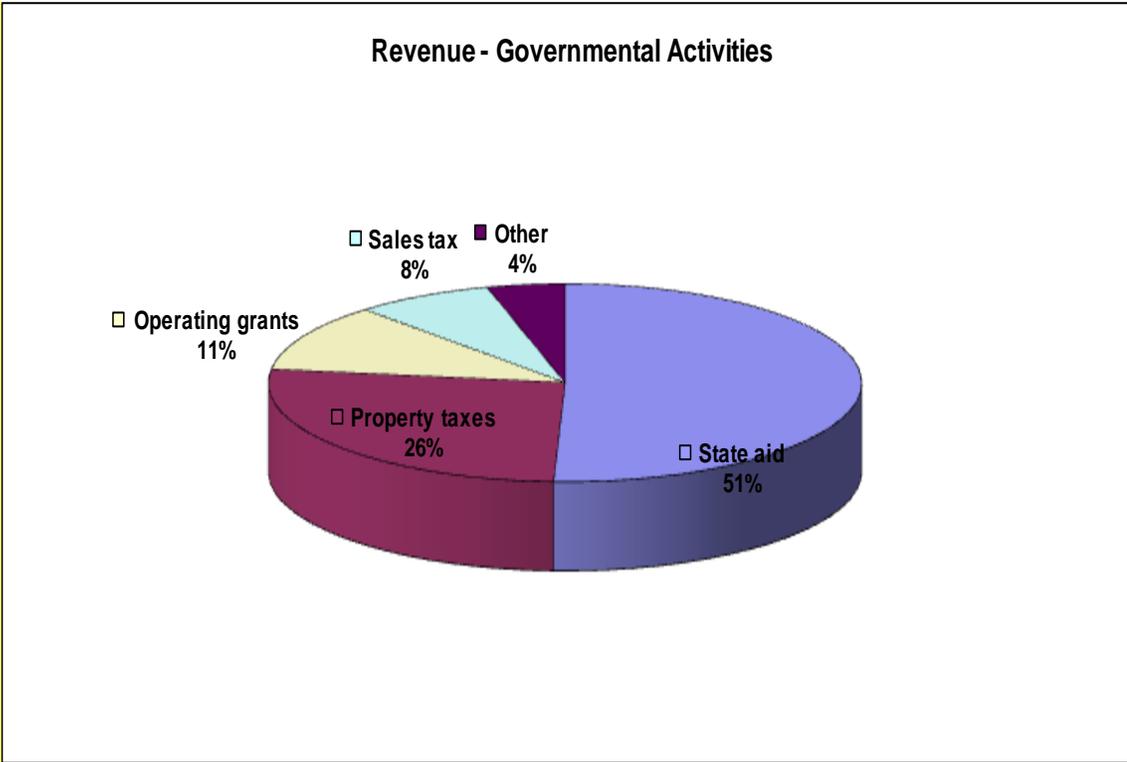
Unrestricted state grants, property taxes, and statewide sales, services and use tax are the primary sources of revenue for the District. Revenues and expenditures were on target with projections with adjustments per known changes during in the year.

Instruction constitutes the largest portion of expenditures at \$32.4 million or 60.9%. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for 9.53% of total costs.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2013



BURLINGTON COMMUNITY SCHOOL DISTRICT

Management’s Discussion and Analysis

June 30, 2013

The following table presents the cost of the District’s functional activities. 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 and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 32,443,939	29,270,057	10.84%	27,226,096	24,033,367	13.28%
Support services	14,504,466	12,397,785	16.99%	14,000,120	12,247,892	14.31%
Non-instructional programs	14,137	21,666	-34.75%	14,137	6,822	107.23%
Other expenses	4,337,236	4,545,384	-4.58%	2,584,533	2,842,650	-9.08%
Totals	\$ 51,299,778	46,234,892	10.95%	43,824,886	39,130,731	12.00%

- The cost of all governmental activities this year was approximately \$51.3 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$7.5 million.
- Net cost of governmental activities (\$43.8) was financed by general revenues, which are made up of primarily property and statewide sales, services and use tax (\$17.8 million), state aid (\$26.4 million), Investment earnings and miscellaneous sources accounted for \$0.5 million.

Business type Activities

Revenues of the District’s business type activities were approximately \$2.1 million and expenses were approximately \$2.0 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 position of \$144,237 for fiscal year 2013.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$214,618. 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:

- 129,612 for Home School Assistance Program
- \$289,669 for At-risk Supplemental Weighting
- \$102,682 for Gifted and Talented
- \$155,597 for Dropout and Dropout Prevention
- \$1,960 for Beginning Administrator Mentoring and Induction Program
- \$59 for Textbook aid for nonpublic students
- \$125,724 for Four-year old Preschool State Aid
- \$211,768 for Professional Development for Model Core Curriculum
- \$47,952 for Professional Development
- \$1,453 for Market Factor Incentives

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 44 and 45.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management’s Discussion and Analysis

June 30, 2013

Legal Budgetary Highlights

During the year Burlington Community School District amended its budget one time to reflect additional expenditures in the support services, non-instructional programs and other expenditures functional areas regarding increased utilities costs, nutrition bakery expenditures and revenue bond refunding expenditures.

The District’s total actual receipts were \$693,642 less than the total budgeted receipts, a variance of approximately 1.26%.

Total expenditures were approximately \$11.9 million less than total budgeted expenditures, a variance of 18.09%.

In spite of the District’s budgetary practices, expenditures in the support services functional area exceeded the budgeted amount for the year ended June 30, 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District had invested approximately \$79.34 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase of \$0.38 million from last year, primarily due to the capitalization of the new middle school building. Currently the District has construction taking place with the construction of a FEMA safe room. Total depreciation expense for the year was \$2,235,214.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2013.

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		
2013	2012	2013	2012	2013	2012	2012-13	
Land	\$ 2,959,227	2,857,409	-	-	2,959,227	2,857,409	3.44%
Construction in progress	556,887	17,441,336	-	-	556,887	17,441,336	-3031.93%
Buildings	71,238,583	54,511,681	-	-	71,238,583	54,511,681	23.48%
Land improvements	305,065	351,129	-	-	305,065	351,129	-15.10%
Machinery and equipment	4,196,288	3,728,612	88,826	75,725	4,285,114	3,804,337	11.22%
Total	\$ 79,256,050	78,890,167	88,826	75,725	79,344,876	78,965,892	0.48%

Additional information on the District’s capital assets can be found in Note 4 on pages 36 to 37 of this report.

Debt Administration. At year-end, the District had \$33,877,148 in other long-term debt outstanding, of which \$2,327,684 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, 2013.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management’s Discussion and Analysis

June 30, 2013

	Outstanding Long-Term Obligations						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenue Bonds	\$ 32,665,000	31,790,000	-	-	32,665,000	31,790,000	2.75%
Termination Benefits	1,045,349	1,799,427	-	-	1,045,349	1,799,427	-41.91%
Compensated Absences	161,445	139,524	5,354	4,250	166,799	143,774	16.01%
Totals	\$ 33,871,794	33,728,951	5,354	4,250	33,877,148	33,733,201	0.43%

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 \$45,688,086 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 37 to 39 of this report.

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- The District’s 2013 fall enrollment fell, this will mean revenue adjustment or expenditure reductions in the fiscal 14-15 budget.
- A \$1 billion fertilizer plant is being built in Wever, Iowa just south of the District. This will result in a boost in the economy of the greater Burlington area and is expected to increase housing needs and should result in more school age children attending the Burlington School District.

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 POSITION
YEAR ENDED JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 22,040,872	605,315	22,646,187
Receivables:			
Property tax:			
Delinquent	262,546	-	262,546
Succeeding year	13,195,349	-	13,195,349
Accounts	846	-	846
Due from other governments	1,968,634	-	1,968,634
Prepaid expenses	6,750	-	6,750
Inventories	-	46,319	46,319
Net OPEB asset	1,657,072	18,430	1,675,502
Capital assets, net of accumulated depreciation	79,256,050	88,826	79,344,876
TOTAL ASSETS	118,388,119	758,890	119,147,009
LIABILITIES			
Accounts payable	3,347,045	277	3,347,322
Salaries and benefits payable	4,549,198	44,414	4,593,612
Retainage payable	96,505	-	96,505
Due to other governments	-	-	-
Unearned revenue	-	12,406	12,406
Deferred revenue:			
Succeeding year property tax	13,195,349	-	13,195,349
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	1,655,000	-	1,655,000
Termination benefits payable	500,885	-	500,885
Compensated absences payable	161,445	5,354	166,799
Portion due after one year:			
Revenue bonds payable	31,010,000	-	31,010,000
Termination benefits payable	544,464	-	544,464
TOTAL LIABILITIES	55,059,891	62,451	55,122,342
NET POSITION			
Invested in capital assets, net of related debt	46,591,050	88,826	46,679,876
Restricted for:			
Categorical funding	1,066,476	-	1,066,476
Debt service	4,578,303	-	4,578,303
Student activities	431,894	-	431,894
Support trust purposes	216,422	-	216,422
School infrastructure	1,452,749	-	1,452,749
Physical plant and equipment	469,373	-	469,373
Unrestricted	8,521,961	607,613	9,129,574
TOTAL NET POSITION	\$ 63,328,228	696,439	64,024,667

SEE NOTES TO FINANCIAL STATEMENTS.

**BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		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	\$ 19,380,185	561,601	357,703	-	(18,460,881)	-	(18,460,881)
Special	8,632,359	374,129	1,246,895	-	(7,011,335)	-	(7,011,335)
Other	4,431,395	401,765	2,275,750	-	(1,753,880)	-	(1,753,880)
	<u>32,443,939</u>	<u>1,337,495</u>	<u>3,880,348</u>	<u>-</u>	<u>(27,226,096)</u>	<u>-</u>	<u>(27,226,096)</u>
Support services:							
Student	2,143,971	-	39,579	-	(2,104,392)	-	(2,104,392)
Instructional staff	1,304,552	-	53,123	-	(1,251,429)	-	(1,251,429)
Administration	5,073,239	-	-	-	(5,073,239)	-	(5,073,239)
Operation and maintenance of plant	4,405,406	-	-	375,597	(4,029,809)	-	(4,029,809)
Transportation	1,577,298	2,730	33,317	-	(1,541,251)	-	(1,541,251)
	<u>14,504,466</u>	<u>2,730</u>	<u>126,019</u>	<u>375,597</u>	<u>(14,000,120)</u>	<u>-</u>	<u>(14,000,120)</u>
Non-instructional programs:							
Food service operations	6,691	-	-	-	(6,691)	-	(6,691)
Community service and education operations	7,446	-	-	-	(7,446)	-	(7,446)
	<u>14,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,137)</u>	<u>-</u>	<u>(14,137)</u>
Long-term debt interest	1,145,587	-	-	-	(1,145,587)	-	(1,145,587)
Other expenses:							
AEA flowthrough	1,752,703	-	1,752,703	-	-	-	-
Depreciation(unallocated)*	1,438,946	-	-	-	(1,438,946)	-	(1,438,946)
	<u>3,191,649</u>	<u>-</u>	<u>1,752,703</u>	<u>-</u>	<u>(1,438,946)</u>	<u>-</u>	<u>(1,438,946)</u>
Total governmental activities	<u>51,299,778</u>	<u>1,340,225</u>	<u>5,759,070</u>	<u>375,597</u>	<u>(43,824,886)</u>	<u>-</u>	<u>(43,824,886)</u>
Business type activities:							
Support services:							
Administration	48,691	-	-	-	-	(48,691)	(48,691)
Operation and maintenance of plant	718	-	-	-	-	(718)	(718)
	<u>49,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,409)</u>	<u>(49,409)</u>
Non-instructional programs:							
Food services operations	1,901,608	473,287	1,576,099	-	-	147,778	147,778
	<u>1,951,017</u>	<u>473,287</u>	<u>1,576,099</u>	<u>-</u>	<u>-</u>	<u>98,369</u>	<u>98,369</u>
Total business type activities	<u>1,951,017</u>	<u>473,287</u>	<u>1,576,099</u>	<u>-</u>	<u>-</u>	<u>98,369</u>	<u>98,369</u>
Total	<u>\$ 53,250,795</u>	<u>1,813,512</u>	<u>7,335,169</u>	<u>375,597</u>	<u>(43,824,886)</u>	<u>98,369</u>	<u>(43,726,517)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 12,962,616	-		12,962,616
Capital outlay				915,261	-		915,261
Statewide sales, services and use tax				3,951,878	-		3,951,878
Unrestricted state grants				26,443,743	-		26,443,743
Unrestricted investment earnings				2,694	20		2,714
Other				498,500	45,848		544,348
Total general revenues				<u>44,774,692</u>	<u>45,868</u>		<u>44,820,560</u>
Changes in net position				949,806	144,237		1,094,043
Net position beginning of year				<u>62,378,422</u>	<u>552,202</u>		<u>62,930,624</u>
Net position end of year				<u>\$ 63,328,228</u>	<u>696,439</u>		<u>64,024,667</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, 2013

	Debt			Total
	General	Service	Nonmajor	
ASSETS				
Cash and pooled investments	\$ 12,830,809	6,190,684	2,711,711	21,733,204
Receivables:				
Property tax				
Delinquent	225,173	-	37,373	262,546
Succeeding year	11,359,355	-	1,835,994	13,195,349
Accounts	126	-	720	846
Due from other governments	1,038,924	-	929,710	1,968,634
Prepaid expenses	6,750	-	-	6,750
TOTAL ASSETS	\$ 25,461,137	6,190,684	5,515,508	37,167,329
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,388,833	1,612,381	331,256	3,332,470
Salaries and benefits payable	4,547,224	-	1,974	4,549,198
Retainage payable	-	-	96,505	96,505
Deferred revenue:				
Succeeding year property tax	11,359,355	-	1,835,994	13,195,349
Total liabilities	17,295,412	1,612,381	2,265,729	21,173,522
Fund balances:				
Nonspendable	6,750	-	-	6,750
Restricted for:				
Categorical funding	1,066,476	-	-	1,066,476
Debt service	-	4,578,303	-	4,578,303
Management levy purposes	-	-	679,341	679,341
Student activities	-	-	431,894	431,894
Support trust purposes	-	-	216,422	216,422
School infrastructure	-	-	1,452,749	1,452,749
Physical plant and equipment	-	-	469,373	469,373
Assigned for special purposes	64,862	-	-	64,862
Unassigned	7,027,637	-	-	7,027,637
Total fund balances	8,165,725	4,578,303	3,249,779	15,993,807
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,461,137	6,190,684	5,515,508	37,167,329

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 22)	\$	15,993,807
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		79,256,050
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		293,093
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		1,657,072
Long-term liabilities, including revenue bonds payable, compensated absences payable and termination benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(33,871,794)</u>
Net position of governmental activities(page 20)	\$	<u><u>63,328,228</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Debt Service	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 11,860,695	-	5,969,060	17,829,755
Tuition	842,761	-	-	842,761
Other	492,530	1,487	674,422	1,168,439
State sources	28,905,552	-	45,710	28,951,262
Federal sources	3,125,958	-	331,409	3,457,367
Total revenues	<u>45,227,496</u>	<u>1,487</u>	<u>7,020,601</u>	<u>52,249,584</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,074,044	-	806,068	19,880,112
Special	8,563,453	-	-	8,563,453
Other	3,764,320	-	402,806	4,167,126
	<u>31,401,817</u>	<u>-</u>	<u>1,208,874</u>	<u>32,610,691</u>
Support services:				
Student	1,869,032	-	10,570	1,879,602
Instructional staff	1,020,454	-	7,754	1,028,208
Administration	4,693,181	28,694	166,957	4,888,832
Operation and maintenance of plant	3,524,501	-	221,671	3,746,172
Transportation	1,181,456	-	228,568	1,410,024
	<u>12,288,624</u>	<u>28,694</u>	<u>635,520</u>	<u>12,952,838</u>
Non-instructional programs:				
Food service operations	-	-	10,820	10,820
Community service and education operations	7,446	-	-	7,446
	<u>7,446</u>	<u>-</u>	<u>10,820</u>	<u>18,266</u>
Capital outlay	-	-	2,111,402	2,111,402
Long-term debt:				
Principal	-	1,695,000	-	1,695,000
Interest and fiscal charges	-	1,145,587	-	1,145,587
	<u>-</u>	<u>2,840,587</u>	<u>-</u>	<u>2,840,587</u>
Other expenditures:				
AEA flowthrough	1,752,703	-	-	1,752,703
Total expenditures	<u>45,450,590</u>	<u>2,869,281</u>	<u>3,966,616</u>	<u>52,286,487</u>
Excess(Deficiency)of revenues over(under) expenditures	(223,094)	(2,867,794)	3,053,985	(36,903)
Other financing sources(uses):				
Transfer in	-	2,567,888	-	2,567,888
Transfer out	-	-	(2,567,888)	(2,567,888)
Sale of real property	-	-	1,000	1,000
Insurance proceeds	-	-	1,125	1,125
Sale of equipment	8,476	-	-	8,476
Refunding revenue bond issuance	-	10,000,000	-	10,000,000
Discount on refunding revenue bond issuance	-	(137,473)	-	(137,473)
Payment to escrow	-	(9,567,136)	-	(9,567,136)
Total other financing sources(uses)	<u>8,476</u>	<u>2,863,279</u>	<u>(2,565,763)</u>	<u>305,992</u>
Change in fund balances	(214,618)	(4,515)	488,222	269,089
Fund balance beginning of year	8,380,343	4,582,818	2,761,557	15,724,718
Fund balance end of year	<u>\$ 8,165,725</u>	<u>4,578,303</u>	<u>3,249,779</u>	<u>15,993,807</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 24) \$ 269,089

*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 and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 2,582,183	
Depreciation expense	(2,216,300)	365,883

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	\$ (10,000,000)	
Repaid	9,125,000	(875,000)

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

Termination benefits	\$ 754,078	
Compensated absences	(21,921)	
Other postemployment benefits	449,920	1,182,077

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

7,757

Change in net position of governmental activities(page 21) \$ 949,806

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 605,315	307,668
Inventories	46,319	-
Net OPEB asset	18,430	-
Total current assets	<u>670,064</u>	<u>307,668</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	88,826	-
TOTAL ASSETS	<u>758,890</u>	<u>307,668</u>
LIABILITIES		
Accounts payable	277	14,575
Salaries and benefits payable	44,414	-
Unearned revenue	12,406	-
Total current liabilities	<u>57,097</u>	<u>14,575</u>
Long-term liabilities:		
Compensated absences	5,354	-
TOTAL LIABILITIES	<u>62,451</u>	<u>14,575</u>
NET POSITION		
Invested in capital assets	88,826	-
Unrestricted	607,613	293,093
TOTAL NET POSITION	<u>\$ 696,439</u>	<u>293,093</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 473,287	-
Miscellaneous	45,848	6,983,809
Total operating revenues	<u>519,135</u>	<u>6,983,809</u>
Operating expenses:		
Support services:		
Administration:		
Salaries	24,560	-
Benefits	11,288	-
Services	12,359	-
Supplies	484	-
	<u>48,691</u>	<u>-</u>
Operation and maintenance of plant:		
Services	536	-
Supplies	182	-
	<u>718</u>	<u>-</u>
Total support services	<u>49,409</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	667,922	-
Benefits	152,837	-
Services	662	-
Supplies	1,060,961	-
Depreciation	18,914	-
Other	312	-
	<u>1,901,608</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	6,976,052
Total non-instructional programs	<u>1,901,608</u>	<u>6,976,052</u>
Total operating expenses	<u>1,951,017</u>	<u>6,976,052</u>
Operating income(loss)	<u>(1,431,882)</u>	<u>7,757</u>
Non-operating revenues:		
State sources	18,367	-
Federal sources	1,557,732	-
Interest income	20	-
Total non-operating revenues	<u>1,576,119</u>	<u>-</u>
Change in net position	144,237	7,757
Net position beginning of year	<u>552,202</u>	<u>285,336</u>
Net position end of year	<u>\$ 696,439</u>	<u>293,093</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2013

	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	\$ 472,468	-
Cash received from miscellaneous operating activities	45,848	6,983,809
Cash payments to employees for services	(852,479)	-
Cash payments to suppliers for goods or services	(927,266)	(6,961,477)
Net cash provided by(used in) operating activities	<u>(1,261,429)</u>	<u>22,332</u>
Cash flows from non-capital financing activities:		
State grants received	18,367	-
Federal grants received	1,405,950	-
Net cash provided by non-capital financing activities	<u>1,424,317</u>	<u>-</u>
Cash flows from capital activities:		
Acquisition of assets	(32,015)	-
Cash flows from investing activities:		
Interest on investments	20	-
Net increase in cash and cash equivalents	130,893	22,332
Cash and cash equivalents at beginning of year	474,422	285,336
Cash and cash equivalents at end of year	<u>\$ 605,315</u>	<u>307,668</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (1,431,882)	7,757
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	148,551	-
Depreciation	18,914	-
Increase in inventories	(589)	-
Increase in accounts payable	268	14,575
Increase in salaries and benefits payable	14,412	-
Decrease in deferred revenue	(819)	-
Increase in compensated absences	1,104	-
Decrease in other postemployment benefits	(11,388)	-
Net cash provided by(used in) operating activities	<u>\$ (1,261,429)</u>	<u>22,332</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$148,551.

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
ASSETS		
Cash and pooled investments	\$	90,535
LIABILITIES		
		-
NET POSITION		
Restricted for scholarships		90,817
Unassigned		(282)
TOTAL NET POSITION	<u>\$</u>	<u>90,535</u>

SEE NOTES TO FINANCIAL STATEMENTS

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 3,011
Interest income	334
TOTAL ADDITIONS	<u>3,345</u>
DEDUCTIONS:	
Instruction:	
Regular	<u>3,850</u>
Change in net position	(505)
Net position beginning of year	<u>91,040</u>
Net position end of year	<u>\$ 90,535</u>

SEE NOTES TO FINANCIAL STATEMENTS

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Burlington Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Burlington Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Des Moines County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Invested in capital asset, 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts as well as the District's Internal Service Funds.

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District also reports the following non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is used to account for the flexible health program offered by the District. The Internal Service Fund is charged back to the Governmental funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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 - assigned and then unassigned fund balances.

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

Cash, Pooled Investments and Cash Equivalents - The cash balance 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents the 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 governmental 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 Position. 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	\$ 300
Buildings	300
Land improvements	300
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	300
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 revenues consist of unspent federal 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 Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - 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 Position in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The

compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be primarily paid 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 Position.

Fund Balances - 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 preceding classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 expenditures in the support services functional area exceeded the budgeted amount.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Governmental Obligation Portfolio which are valued at an amortized cost of \$14,465,448 pursuant to Rule 21-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 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>\$ 2,567,888</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.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance Beginning of of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,857,409	101,818	-	2,959,227
Construction in progress	17,441,336	556,887	17,441,336	556,887
Total capital assets not being depreciated	<u>20,298,745</u>	<u>658,705</u>	<u>17,441,336</u>	<u>3,516,114</u>
Capital assets being depreciated:				
Buildings	69,445,929	18,119,784	2,000	87,563,713
Land improvements	921,265	-	-	921,265
Machinery and equipment	16,304,342	1,245,030	138,980	17,410,392
Total capital assets being depreciated	<u>86,671,536</u>	<u>19,364,814</u>	<u>140,980</u>	<u>105,895,370</u>
Less accumulated depreciation for:				
Buildings	14,934,248	1,392,882	2,000	16,325,130
Land improvements	570,136	46,064	-	616,200
Machinery and equipment	12,575,730	777,354	138,980	13,214,104
Total accumulated depreciation	<u>28,080,114</u>	<u>2,216,300</u>	<u>140,980</u>	<u>30,155,434</u>
Total capital assets being depreciated, net	<u>58,591,422</u>	<u>17,148,514</u>	<u>-</u>	<u>75,739,936</u>
Governmental activities capital assets, net	<u>\$ 78,890,167</u>	<u>17,807,219</u>	<u>17,441,336</u>	<u>79,256,050</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 541,065	32,015	-	573,080
Less accumulated depreciation	465,340	18,914	-	484,254
Business type activities capital assets, net	<u>\$ 75,725</u>	<u>13,101</u>	<u>-</u>	<u>88,826</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 377,932
Support services:		
Administration		113,115
Operation and maintenance		78,010
Transportation		208,297
		<u>777,354</u>
Unallocated depreciation		<u>1,438,946</u>
		<u>2,216,300</u>
Total governmental activities depreciation expense		\$ <u>2,216,300</u>
Business type activities:		
Food services		\$ <u>18,914</u>

Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2013 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	10,000,000	9,125,000	32,665,000	1,655,000
Termination Benefits	1,799,427	-	754,078	1,045,349	500,885
Compensated Absences	139,524	161,445	139,524	161,445	161,445
Total	<u>\$ 33,728,951</u>	<u>10,161,445</u>	<u>10,018,602</u>	<u>33,871,794</u>	<u>2,322,330</u>
Business type activities:					
Compensated Absences	\$ 4,250	5,354	4,250	5,354	5,354

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of March 1, 2009 Series A				Bond issue of March 1, 2009 Series B		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2014	2.00	-	282,296	2.00	-	251,848	
2015	2.00	-	282,296	2.00	-	251,847	
2016	2.00	-	282,296	2.00	-	251,848	
2017	2.00	-	282,296	2.00	-	251,847	
2018	2.00	-	282,296	2.00	-	251,848	
2019-2023	1.38-2.10	2,255,000	1,278,113	1.38-2.10	2,285,000	1,164,755	
2024-2028	2.25-2.50	3,620,000	338,488	2.25-2.50	2,910,000	298,125	
Total		<u>\$ 5,875,000</u>	<u>3,028,081</u>		<u>\$ 5,195,000</u>	<u>2,722,118</u>	

Year Ending June 30,	Bond issue of December 1, 2009 Series C			Bond issue of December 12, 2012 Partial Advance Refunding 2009 Series A & B			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2014	3.00	1,455,000	438,118	2.00	200,000	238,041	\$ 1,655,000	1,210,303	2,865,303
2015	3.50	1,485,000	392,317	2.00	210,000	233,991	1,695,000	1,160,451	2,855,451
2016	3.50	1,520,000	340,080	2.00	210,000	229,791	1,730,000	1,104,015	2,834,015
2017	4.00	1,550,000	284,593	2.00	210,000	225,591	1,760,000	1,044,327	2,804,327
2018	4.00	1,595,000	222,192	2.00	220,000	221,341	1,815,000	977,677	2,792,677
2019-2023	4.00-4.50	4,145,000	301,672	1.375-2.10	1,205,000	1,046,513	9,890,000	3,791,053	13,681,053
2024-2028	4.50	95,000	3,262	2.25-2.50	5,495,000	835,807	12,120,000	1,475,682	13,595,682
2029-2030	-	-	-	3.00	2,000,000	45,000	2,000,000	45,000	2,045,000
Total		\$ 11,845,000	1,982,234		\$ 9,750,000	3,076,075	\$ 32,665,000	10,808,508	43,473,508

The District has pledged future statewide sales, services and use tax revenues to repay the revenue bond issuances shown above. The bonds were issued for the purpose of building and furnishing a new middle school, and refunding outstanding project notes and bonds issued for said purpose. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2030. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 73% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$43,473,508. For the current year \$1,695,000 in principal and \$1,145,587 in interest was paid on the bonds and total statewide sales and services tax revenues were \$3,951,878.

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

- a) \$3,433,640 of the proceeds from the issuance of the revenue bonds shall be deposited to the 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.

Termination Benefits - (Early Retirement)

The District did not offer a voluntary early retirement plan during fiscal 2013. However, the District did offer 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.

At June 30, 2013, the District had total obligations of \$1,045,349. Actual early retirement expenditures paid during the year ended June 30, 2013, totaled \$754,078.

Note 6. Bond Defeasement

On December 12, 2012 the District issued \$10,000,000 in revenue bonds with interest rates from 1.375 to 3.00 percent, released \$412,500 of the March 1, 2009 Series A revenue bond reserve and \$330,500 of the March 1, 2009 Series B revenue bond reserve to partially advance refund \$4,125,000 of outstanding March 1, 2009 Series A revenue bond with interest rates from 5.10 to 5.35 percent, and \$3,305,000 of outstanding March 1, 2009 Series B revenue bond with interest rates from 5.125 to 5.15 percent.

The proceeds of the refunding issue along with the released debt reserve amounts have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay part of the interest of both the March 1, 2009 Series A and B revenue bonds from January 1, 2013 through July 1, 2019 as well as \$4,125,000 of principal of the March 1, 2009 Series A revenue bonds when they become callable on January 1, 2019 and \$3,305,000 of principal of the March 1, 2009 Series B revenue bonds when they become callable on July 1, 2019. The remaining interest due on the March 1, 2009 Series A and B revenue bonds from January 1, 2013 to July 1, 2019 is the responsibility of the District.

The District is contingently liable in the remote possibility the escrow account is insufficient to pay the refunding bonds. After the principal and interest on all of the outstanding bonds are paid, any remaining funds in the escrow account, together with any interest thereon, will be returned to the District. The new refunding bonds have been added to the appropriate financial statements and schedules.

At June 30, 2013, \$4,125,000 of the refunded March 1, 2009 Series A revenue bonds and \$3,305,000 of the refunded March 1, 2009 Series B revenue bonds of such bonds are outstanding. Defeasement of principal and interest for the March 1, 2009 Series A revenue bonds for the year was \$0 and \$217,768 respectively. Defeasement of principal and interest for the March 1, 2009 Series B revenue bonds for the year was \$0 and \$169,666 respectively. The economic savings for the refunding is \$162,462.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for retirees and their spouses. There are 400 active and 79 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	172,909
Interest on net OPEB obligation		(24,284)
Adjustment to annual required contribution		53,682
Annual OPEB cost		<u>202,307</u>
Contributions made		(663,615)
Increase in net OPEB obligation		<u>(461,308)</u>
Net OPEB obligation beginning of year		<u>(1,214,194)</u>
Net OPEB obligation end of year	\$	<u><u>(1,675,502)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$663,615 to the medical plan.

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, 2013 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	470,327	235.36	(703,246)
2012	483,237	205.73	(1,214,194)
2013	202,307	328.02	(1,675,502)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$2,465,701 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,465,701. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$20,382,702 and the ratio of the UAAL to covered payroll was 12.10%. As of June 30, 2013, 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 events 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 the July 1, 2012 actuarial valuation date, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 2.0% discount rate based on the District's funding policy. The ultimate medical trend rate is reduced each year until reaching the 3% ultimate trend rate.

Mortality rates are from the RP 2000 Group Annuity Generational Mortality Rates Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$689 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.

Note 8. 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 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$2,206,848, \$1,932,389 and \$1,629,609, respectively, equal to the required contributions for each year.

Note 9. 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. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 10. 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 \$1,752,703 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District has entered into various contracts totaling \$1,661,436 for the construction of a new FEMA safe room. As of June 30, 2013, costs of \$556,887 had been incurred against the contracts. The balance of \$1,104,549 remaining at June 30, 2013 will be paid as work on the projects progresses.

Note 12. Deficit Balances

The Private Purpose Trust: Scholarship Fund has an account with a deficit unassigned balance of \$262.

Note 13. Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the support services functional area exceeded the certified budget.

Note 14. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 129,612
At-risk supplemental weighting	289,669
Gifted and talented	102,682
Dropout and dropout prevention	155,597
Beginning administrator mentoring and induction program	1,960
Textbook aid for nonpublic students	59
Four-year old preschool state aid	125,724
Professional development for model core curriculum	211,768
Professional development	47,952
Market factor incentives	1,453
Total	<u><u>\$ 1,066,476</u></u>

Required Supplementary Information

BURLINGTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 19,840,955	519,155	20,360,110	19,958,505	19,958,505	401,605
State sources	28,951,262	18,367	28,969,629	29,659,832	29,659,832	(690,203)
Federal sources	3,457,367	1,557,732	5,015,099	5,420,143	5,420,143	(405,044)
Total revenues	52,249,584	2,095,254	54,344,838	55,038,480	55,038,480	(693,642)
Expenditures/Expenses:						
Instruction	32,610,691	-	32,610,691	33,675,496	33,675,496	1,064,805
Support services	12,952,838	49,409	13,002,247	11,878,720	12,628,720	(373,527)
Non-instructional programs	18,266	1,901,608	1,919,874	2,074,054	2,274,054	354,180
Other expenditures	6,704,692	-	6,704,692	7,640,559	17,640,559	10,935,867
Total expenditures/expenses	52,286,487	1,951,017	54,237,504	55,268,829	66,218,829	11,981,325
Excess(Deficiency) of revenues over(under) expenditures/expenses	(36,903)	144,237	107,334	(230,349)	(11,180,349)	11,287,683
Other financing sources, net	305,992	-	305,992	10,000	10,000	295,992
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	269,089	144,237	413,326	(220,349)	(11,170,349)	11,583,675
Balance beginning of year	15,724,718	552,202	16,276,920	13,314,491	13,314,491	2,962,429
Balance end of year	\$ 15,993,807	696,439	16,690,246	13,094,142	2,144,142	14,546,104

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment, increasing budgeted expenditures by \$10,950,000.

During the year ended June 30, 2013, the expenditures in the support services functional area exceeded the certified budget.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

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)
2009	July 1, 2008	-	\$ 7,818,097	\$ 7,818,097	0.00	\$ 19,546,207	40.00 %
2010	July 1, 2008	-	7,818,097	7,818,097	0.00	19,707,358	39.67
2011	July 1, 2010	-	5,853,640	5,853,640	0.00	22,082,453	26.51
2012	July 1, 2010	-	5,853,640	5,853,640	0.00	19,273,327	30.37
2013	July 1, 2012	-	2,465,701	2,465,701	0.00	20,382,702	12.10

See Note 7 in the accompanying Notes to the 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, 2013

	Special Revenue					
	Manage- ment Levy	Student Activity	Support Trust	Total	Capital Projects	Total
ASSETS						
Cash and pooled investments	\$ 668,277	439,025	216,847	1,324,149	1,387,562	2,711,711
Receivables:						
Property tax						
Delinquent	20,920	-	-	20,920	16,453	37,373
Succeeding year	900,003	-	-	900,003	935,991	1,835,994
Accounts	-	720	-	720	-	720
Due from other governments	-	-	-	-	929,710	929,710
TOTAL ASSETS	\$ 1,589,200	439,745	216,847	2,245,792	3,269,716	5,515,508
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 9,856	5,877	425	16,158	315,098	331,256
Salaries and benefits payable	-	1,974	-	1,974	-	1,974
Retainage payable	-	-	-	-	96,505	96,505
Deferred revenue:						
Succeeding year property tax	900,003	-	-	900,003	935,991	1,835,994
Total liabilities	909,859	7,851	425	918,135	1,347,594	2,265,729
Fund balances:						
Restricted for:						
Management levy purposes	679,341	-	-	679,341	-	679,341
Student activities	-	431,894	-	431,894	-	431,894
Support trust purposes	-	-	216,422	216,422	-	216,422
School infrastructure	-	-	-	-	1,452,749	1,452,749
Physical plant and equipment	-	-	-	-	469,373	469,373
Total fund balances	679,341	431,894	216,422	1,327,657	1,922,122	3,249,779
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,589,200	439,745	216,847	2,245,792	3,269,716	5,515,508

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue					
	Manage- ment Levy	Student Activity	Support Trust	Total	Capital Projects	Total
Revenues:						
Local sources:						
Local tax	\$ 1,101,921	-	-	1,101,921	4,867,139	5,969,060
Other	56,373	406,979	122,046	585,398	89,024	674,422
State sources	858	-	-	858	44,852	45,710
Federal sources	-	-	-	-	331,409	331,409
Total revenues	1,159,152	406,979	122,046	1,688,177	5,332,424	7,020,601
Expenditures:						
Current:						
Instruction:						
Regular	794,376	-	11,692	806,068	-	806,068
Other	-	402,806	-	402,806	-	402,806
Support services:						
Student	10,570	-	-	10,570	-	10,570
Instructional staff	4,289	-	-	4,289	3,465	7,754
Administration	166,957	-	-	166,957	-	166,957
Operation and maintenance of plant	173,585	-	-	173,585	48,086	221,671
Transportation	59,464	-	-	59,464	169,104	228,568
Non-instructional programs:						
Food service operations	10,820	-	-	10,820	-	10,820
Capital outlay	-	-	-	-	2,111,402	2,111,402
Total expenditures	1,220,061	402,806	11,692	1,634,559	2,332,057	3,966,616
Excess(Deficiency)of revenues over(under) expenditures	(60,909)	4,173	110,354	53,618	3,000,367	3,053,985
Other financing sources(uses):						
Transfer out	-	-	-	-	(2,567,888)	(2,567,888)
Sale of real property	-	-	-	-	1,000	1,000
Insurance proceeds	-	-	-	-	1,125	1,125
Total other financing sources(uses)	-	-	-	-	(2,565,763)	(2,565,763)
Change in fund balances	(60,909)	4,173	110,354	53,618	434,604	488,222
Fund balances beginning of year	740,250	427,721	106,068	1,274,039	1,487,518	2,761,557
Fund balances end of year	\$ 679,341	431,894	216,422	1,327,657	1,922,122	3,249,779

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 927,418	460,144	1,387,562
Receivables:			
Property tax:			
Delinquent	-	16,453	16,453
Succeeding year	-	935,991	935,991
Due from other governments	625,925	303,785	929,710
TOTAL ASSETS	\$ 1,553,343	1,716,373	3,269,716
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,089	311,009	315,098
Retainage payable	96,505	-	96,505
Deferred revenue:			
Succeeding year property tax	-	935,991	935,991
Total liabilities	100,594	1,247,000	1,347,594
Fund balances:			
Restricted for:			
School infrastructure	1,452,749	-	1,452,749
Physical plant and equipment	-	469,373	469,373
Total fund balances	1,452,749	469,373	1,922,122
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,553,343	1,716,373	3,269,716

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, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUE:			
Local sources:			
Local tax	\$ 3,951,878	915,261	4,867,139
Other	88,684	340	89,024
State sources	-	44,852	44,852
Federal sources	-	331,409	331,409
Total revenue	<u>4,040,562</u>	<u>1,291,862</u>	<u>5,332,424</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	3,465	-	3,465
Operation and maintenance of plant	-	48,086	48,086
Transportation	-	169,104	169,104
Capital outlay	901,230	1,210,172	2,111,402
Total expenditures	<u>904,695</u>	<u>1,427,362</u>	<u>2,332,057</u>
Excess(Deficiency) of revenues over(under) expenditures	3,135,867	(135,500)	3,000,367
Other financing sources(uses):			
Transfer out	(2,567,888)	-	(2,567,888)
Sale of real property	-	1,000	1,000
Insurance proceeds	-	1,125	1,125
Total other financing sources(uses)	<u>(2,567,888)</u>	<u>2,125</u>	<u>(2,565,763)</u>
Change in fund balances	567,979	(133,375)	434,604
Fund balances beginning of year	<u>884,770</u>	<u>602,748</u>	<u>1,487,518</u>
Fund balances end of year	<u>\$ 1,452,749</u>	<u>469,373</u>	<u>1,922,122</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, 2013

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
<u>SENIOR HIGH SCHOOL</u>				
ACTIVITY	13,028	1,885	2,640	12,273
DRAMA	-	2,788	2,788	-
CHORAL	11,601	13,474	8,304	16,771
PURPLE AIRES	3,006	-	-	3,006
ORCHESTRA/CHAMBER	-	5,058	862	4,196
BAND/COLOR GUARD	-	16,185	6,353	9,832
JAZZ BAND	301	-	-	301
MUSIC/DRAMA	5,263	9,348	4,527	10,084
MIDDLE SCHOOL ATHLETICS	6,559	18,516	18,887	6,188
FUTURE GRAYHOUND BBALL	5,097	-	-	5,097
GENERAL ATHLETICS	88,616	25,053	39,822	73,847
CHEERLEADERS	881	3,626	2,513	1,994
FUTURE GRAYHOUND SWIMMING	7,425	345	-	7,770
ART CLUB	4,561	760	1,533	3,788
KIWANIS KEY CLUB	-	3,402	3,402	-
PURPLE AND GRAY	184	-	-	184
INTERNATIONAL CLUB	-	123	-	123
PATHFINDER	29,144	21,939	30,607	20,476
ECOLOGY CLUB	2,569	-	309	2,260
SADD	1,071	-	704	367
VARSITY CLUB	6,455	18,160	17,387	7,228
POST PROM	-	8,058	8,058	-
RENAISSANCE STORE	35	21,987	18,751	3,271
SOPHOMORE CLASS	37	-	-	37
JUNIOR CLASS	1,412	8,825	6,934	3,303
SENIOR CLASS	14,273	59	2,513	11,819
CLASS OF 2006	1,127	30	1,157	-
CLASS OF 2011	726	-	726	-
NATIONAL HONOR SOCIETY	491	208	250	449
STUDENT COUNCIL	27,296	19,568	21,456	25,408
HERO	1,844	2,082	2,330	1,596
TECHNOLOGY STUDENT	1,126	1,161	830	1,457
DECA	2,589	-	-	2,589
BPA CLUB	121	-	-	121
DANCE TEAM	-	4,431	4,431	-
SELF-CONTAINED FUNDRAISER	263	-	-	263

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
<u>BOYS ATHLETICS</u>				
BASKETBALL	47,251	19,550	30,921	35,880
FOOTBALL	35,303	28,669	24,217	39,755
SWIMMING	6,167	4,531	3,188	7,510
WRESTLING	2,033	9,868	10,042	1,859
TRACK	1,019	11,106	11,925	200
CROSS COUNTRY TRACK	2,340	4,100	3,920	2,520
BOWLING	-	6,000	4,105	1,895
BASEBALL	-	30,615	18,215	12,400
TENNIS	137	1,300	1,108	329
GOLF	863	2,095	2,298	660
SOCCER	4,559	17,293	14,580	7,272
<u>GIRLS ATHLETICS</u>				
SOCCER	1,535	7,362	8,897	-
BASKETBALL	19,282	7,728	6,508	20,502
VOLLEYBALL	6,968	10,818	8,820	8,966
SWIMMING	8,132	3,337	7,076	4,393
SOFTBALL	266	9,535	9,801	-
TRACK	4	6,028	6,032	-
TENNIS	724	1,300	542	1,482
GOLF	1,584	900	1,692	792
<u>TOTAL HIGH SCHOOL</u>	375,268	389,206	381,961	382,513
<u>OTHER BUILDINGS</u>				
JAMES MADISON	17,116	6,473	7,907	15,682
OAK STREET	13,509	6,614	6,641	13,482
CORSE	2,049	29	810	1,268
BLACK HAWK	2,313	3,333	3,187	2,459
GRIMES	3,957	450	1,889	2,518
NORTH HILL	4,171	-	-	4,171
SUNNYSIDE	9,338	874	411	9,801
<u>TOTAL OTHER BUILDINGS</u>	52,453	17,773	20,845	49,381
Total	\$ 427,721	406,979	402,806	431,894

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
GUEGLER TRUST	\$ 14,041	-	-	14,041
JOHN H WITTE FOUNDATION	55,258	4	-	55,262
ED FOUNDATION SP. PROGRAM	14,772	1,278	11,692	4,358
BHS MUSIC PATRONS	5,235	-	-	5,235
BHS WAGNER MEMORIAL	3,016	24	-	3,040
BHS W DUKE FIELD IMP	9,199	30	-	9,229
BHS JAMES ANDERS	-	120,599	-	120,599
BHS ATH TRACK MAINTENANCE	4,547	111	-	4,658
Total	<u>\$ 106,068</u>	<u>122,046</u>	<u>11,692</u>	<u>216,422</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY POSITION, PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Beginning Net Position	Additions	Deductions	Ending Net Position
JEFFERSON NURSE SCHOLARSHIP	\$ 250	250	250	250
CONNER TRUST FUND	318	-	600	(282)
BHS ADAMS EX SCH	33,584	243	-	33,827
BHS FARR SCHOLARSHIP	27	-	-	27
BHS E BEDELL MEMORIAL	1,075	5	-	1,080
BHS HABERICHTER MEMORIAL	711	7	50	668
BHS JOHANNSEN SCHOLARSHIP	12,665	23	400	12,288
BHS PERRINE SCHOLARSHIP	2,404	7	-	2,411
WEHMAN SCHOLARSHIP	4,632	9	-	4,641
BHS STUDENT COUNCIL SCHOOL	6,642	2,314	2,350	6,606
BHS ECOLOGY SCHOOL	277	447	-	724
BHS HUPPENBAUER SCIENCE	9,600	40	-	9,640
BHS BERQUIST MUSIC	17,817	-	-	17,817
BHS J FRANKLIN	1,038	-	200	838
Total	<u>\$ 91,040</u>	<u>3,345</u>	<u>3,850</u>	<u>90,535</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 17,829,755	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	842,761	888,290	844,437	775,253	877,646	756,547	751,509	724,325	629,047	400,164
Other	1,168,439	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	-	-	-	-	11,245	-	-	-	1,023	7,334
State sources	28,951,262	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	3,457,367	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	\$ 52,249,584	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	\$ 19,880,112	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	8,563,453	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	4,167,126	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	1,879,602	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	1,028,208	1,125,093	1,357,465	1,054,141	953,983	976,213	982,040	968,943	1,329,455	898,928
Administration	4,888,832	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	3,746,172	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	1,410,024	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	-	-	-	-	-	-	-	-	-	188,782
Non-instructional programs	18,266	21,283	39,689	36,378	28,231	133,491	124,655	151,791	284,079	447,661
Capital outlay	2,111,402	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	1,695,000	-	-	-	20,557,713	1,800,319	1,741,957	9,818,011	980,000	655,000
Interest and fiscal charges	1,145,587	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	1,752,703	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	\$ 52,286,487	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, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 12	\$ 9,929
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 13	85,169
			<u>95,098</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	FY 11	627
SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	10.170	FY 12	2,604
			<u>3,231</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	297,804
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	1,243,536 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	13,161
			<u>1,554,501</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	127,781
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0882-G	1,237,229
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 13	39,060
			<u>1,404,070</u>
TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	84.013	FY 13	<u>25,400</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>68,391</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	<u>258,011</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	<u>26,754</u>
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	98.938	FY 13	<u>224</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 13	267,841
SPECIAL EDUCATION - GRANTS TO STATES (IDEA SUBGRANT)	84.027	FY 13	5,400
			<u>273,241</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 13	<u>1,115</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION:			
HAZARD MITIGATION GRANT	97.039	FY 13	<u>331,409</u>
TOTAL			<u>\$ 4,041,445</u>

* - Includes \$148,551 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 on 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 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 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Burlington Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Burlington Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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.

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-13 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Burlington Community School District's Responses to Findings

Burlington Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Burlington Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 24, 2014
Newton, Iowa

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

Independent Auditor's Report on Compliance
for Each Major Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Burlington Community School District's compliance 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, 2013. Burlington Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Burlington Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each federal program. However, our audit does not provide a legal determination on Burlington Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Burlington Community School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

The management of Burlington Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Burlington Community School District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Burlington Community School District's internal control over compliance.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

January 24, 2014
Newton, Iowa

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Clustered Program:

- CFDA Number 84.010 - Title I Grants to Local Agencies
- CFDA Number 84.010 - Title I Schools in Need of Assistance

Individual Programs:

- CFDA Number 84.367 - Improving Teacher Quality State Grants
- CFDA Number 97.039 - Hazard Mitigation Grant

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Burlington Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-13 Commodity Pricing - We noted during the audit that the commodity food listing was not priced out using commodity values provided by the Department of Education and therefore the amount of inventory was under reported on the Balance Sheet.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will check with the Department of Education at year end to make sure it is using the latest commodity pricing list.

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 Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 exceeded the certified budgeted amount in the support services functional area.

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

Response - The District did amend its fiscal 2013 budget, however, significant technology purchases were made after the amendment was published which would have required a higher amendment amount. In the future the District will make every attempt to amend the budget for a sufficient amount before expenditures exceed budgeted amounts.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-13 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-13 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 Deposits and Investments - 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 were noted

IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 Financial Condition - At June 30, 2013, the District had one account in the Private Purpose Trust Fund with a deficit unassigned balance of \$282.

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

Response - The negative balance has been corrected. The scholarship in question has moved to the Burlington Education Foundation.

Conclusion - Response accepted.

IV-M-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 884,770
Revenues:		
Sales tax revenues	\$ 3,951,878	
Other local revenues	88,684	4,040,562
		<u>4,925,332</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 901,230	
Other	3,465	
Transfers to other funds:		
Debt service fund	2,567,888	3,472,583
		<u>3,472,583</u>
Ending balance		<u>\$ 1,452,749</u>

For the year ended June 30, 2013 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-N-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - Time sheets are now being documented, kept and remitted to payroll on a monthly basis.

Conclusion - Response accepted.