

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

JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		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, Expenditures 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		31-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	51
Capital Projects Accounts:		
Combining Balance Sheet	3	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	54-55
Schedule of Changes in Special Revenue Fund, Support Trust Account	6	56
Schedule of Changes in Fiduciary Net Position, Private Purpose Trust Accounts	7	57
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	58
Schedule of Expenditures of Federal Awards	9	59
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>		60-61
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		62-63
Schedule of Findings and Questioned Costs		64-66

Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

(Before September 2013 Election)

Board of Education

Darven Kendell	President	2013
Linda Garwood	Vice President	2013
Marlis Robberts	Board Member	2015
Tammy Darnell	Board Member	2015
Dean Vickstrom	Board Member	2013
Mike Shinn	Board Member	2015
Michael Warner	Board Member	2015

(After September 2013 Election)

Board of Education

Marlis Robberts	President	2015
Darven Kendell	Vice President	2017
Linda Garwood	Board Member	2017
Tammy Darnell	Board Member	2015
Dean Vickstrom	Board Member	2017
Mike Shinn	Board Member	2015
Michael Warner	Board Member	2015

School Officials

Jane Evans	Superintendent	2014
Chris Stensland	Board Secretary/Treasurer	2014
Ahler's & Cooney, P.C.	Attorney	2014

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, 2014, 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, 2014 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.

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 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified 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 December 22, 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.

December 22, 2014
Newton, Iowa

Burlington Community School District

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

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, 2014. 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 \$1,419,597. 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 fund revenues accounted for \$47.1 million of the entity-wide revenue, or 86.7% of total fiscal year 2014 revenue. Program specific revenues in the form of charges for services and operating grants, capital grants and restricted interest, accounted for \$7.2 million or 13.23% of the total fiscal year 2014 revenues.
- The District had approximately \$54.9 million of entity-wide expenses; of which \$8.2 million of these expenses were offset by program specific charges for service or grants and contributions. General revenues of \$47.1 million provided for the remaining costs of these programs.
- The General Fund had \$47.1 million in fiscal year 2014 revenues, which primarily consisted of state aid and property taxes, and 47.7 million in expenditures. The General Fund's fund balance decreased approximately 7.53% during fiscal year 2014, due in part to increased instructional expenses.
- The District's total bonded debt decreased to \$31,010,000 during the fiscal year 2014. This was due to the District's making its annual payments on revenue bonds during the 2014 fiscal year.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

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, deferred outflows or resources, liabilities and deferred inflows or resources, 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 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 service operations.

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

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

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.

The District maintains six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Capital Projects and Debt Service, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 22 and 24 of this report.

Proprietary funds. Proprietary funds are used to account for activities that are the same as private business activities. Proprietary funds are reported in the same manner as the government-wide statements. The District's Enterprise Funds (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District has one Enterprise Fund: School Nutrition. The District's Internal Service Funds (one type of proprietary fund) is the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one Internal Service Fund: Self-funded Insurance. The basic proprietary fund financial statements can be found on pages 26 to 28 of this report.

Fiduciary funds. The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds. The District's Private-Purpose Trust Fund accounts for outside donations for scholarships for individual students in this fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on pages 29 to 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 to 43 of this report.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management’s Discussion and Analysis

June 30, 2014

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
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, 2014

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 have been provided as required supplementary information. The required supplementary information can be found on page 46 to 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net 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 \$65.5 million as of June 30, 2014.

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 \$31.9 million in long-term liabilities (see Note 5 on page 38-40); 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, 2014

The following table presents a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3							
Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 39,175,643	39,132,069	700,474	670,064	39,876,117	39,802,133	0.19%
Capital assets	78,522,348	79,256,050	136,514	88,826	78,658,862	79,344,876	-0.86%
Total assets	<u>117,697,991</u>	<u>118,388,119</u>	<u>836,988</u>	<u>758,890</u>	<u>118,534,979</u>	<u>119,147,009</u>	<u>-0.51%</u>
Long-term obligations	31,906,412	33,871,794	5,444	5,354	31,911,856	33,877,148	-5.80%
Other liabilities	7,339,793	7,992,748	58,252	57,097	7,398,045	8,049,845	-8.10%
Total liabilities	<u>39,246,205</u>	<u>41,864,542</u>	<u>63,696</u>	<u>62,451</u>	<u>39,309,901</u>	<u>41,926,993</u>	<u>-6.24%</u>
Deferred inflows of resources	13,703,961	13,195,349	-	-	13,703,961	13,195,349	3.85%
Net position:							
Net investment in capital assets	47,512,348	46,591,050	136,514	88,826	47,648,862	46,679,876	2.08%
Restricted	8,173,230	8,215,217	-	-	8,173,230	8,215,217	-0.51%
Unrestricted	9,062,247	8,521,961	636,778	607,613	9,699,025	9,129,574	6.24%
Total net position	<u>\$ 64,747,825</u>	<u>63,328,228</u>	<u>773,292</u>	<u>696,439</u>	<u>65,521,117</u>	<u>64,024,667</u>	<u>2.34%</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 2.34% or \$1.50 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 decreased \$0.04 million, or 0.51% from the prior year. This minimal decline was due in part to the decrease in the Capital Projects: Physical Plant and Equipment Levy Fund balance.

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 \$0.57 million or 6.24%.

Change in net position. The District's total revenues for the fiscal year ended June 30, 2014 were \$56.3 million. The total cost of all programs and services was approximately \$54.8 million. The following table presents a summary of the changes in net position for the fiscal year ended June 30, 2014 compared to June 30, 2013.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 1,455,433	1,340,225	363,356	473,287	1,818,789	1,813,512	0.29%
Operating grants, contributions and restricted interest	5,850,521	5,759,070	1,554,023	1,576,099	7,404,544	7,335,169	0.95%
Capital grants, contributions and restricted interest	625,111	375,597	-	-	625,111	375,597	66.43%
General revenues:							
Property tax	13,247,611	13,877,877	-	-	13,247,611	13,877,877	-4.54%
Statewide sales, services and use tax	4,046,449	3,951,878	-	-	4,046,449	3,951,878	2.39%
Unrestricted state grants	28,937,471	26,443,743	-	-	28,937,471	26,443,743	9.43%
Unrestricted interest income	3,047	2,694	27	20	3,074	2,714	13.26%
Other	129,645	498,500	51,897	45,848	181,542	544,348	-66.65%
Total revenues	54,295,288	52,249,584	1,969,303	2,095,254	56,264,591	54,344,838	3.53%
Program expenses:							
Instruction	33,771,673	32,443,939	-	-	33,771,673	32,443,939	4.09%
Support services	14,128,890	14,504,466	59,076	49,409	14,187,966	14,553,875	-2.51%
Non-instructional programs	43,422	14,137	1,833,374	1,901,608	1,876,796	1,915,745	-2.03%
Other expenses	4,931,706	4,337,236	-	-	4,931,706	4,337,236	13.71%
Total expenses	52,875,691	51,299,778	1,892,450	1,951,017	54,768,141	53,250,795	2.85%
Change in net position	1,419,597	949,806	76,853	144,237	1,496,450	1,094,043	36.78%
Net position beginning of year	63,328,228	62,378,422	696,439	552,202	64,024,667	62,930,624	1.74%
Net position end of year	\$ 64,747,825	63,328,228	773,292	696,439	65,521,117	64,024,667	2.34%

Governmental Activities

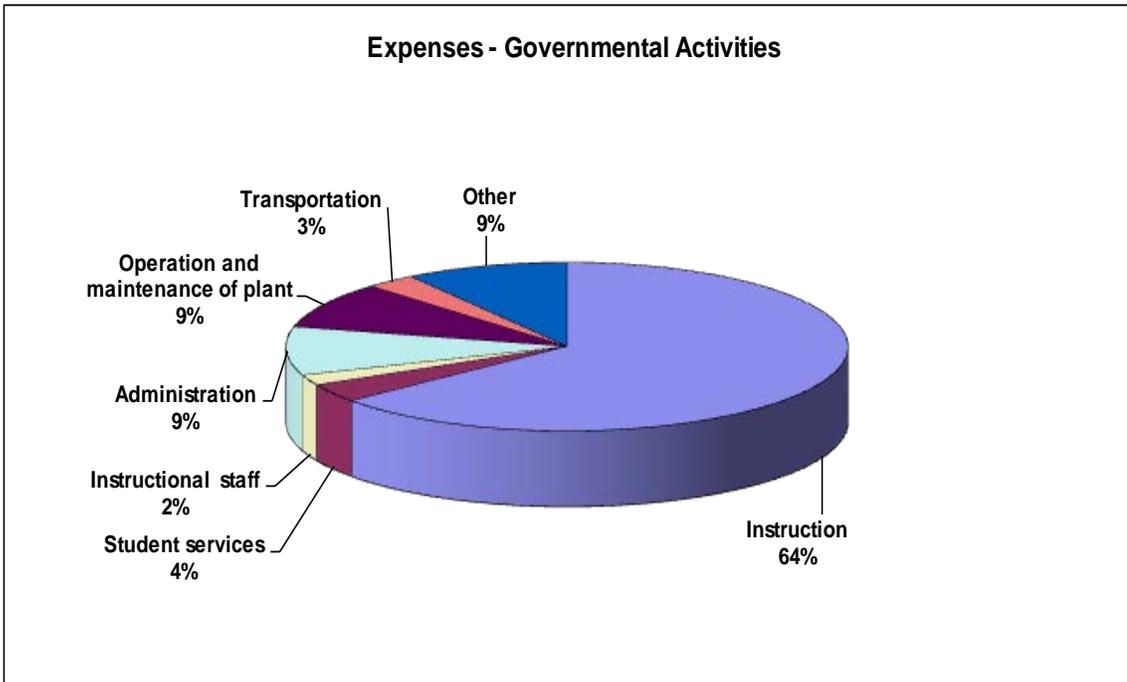
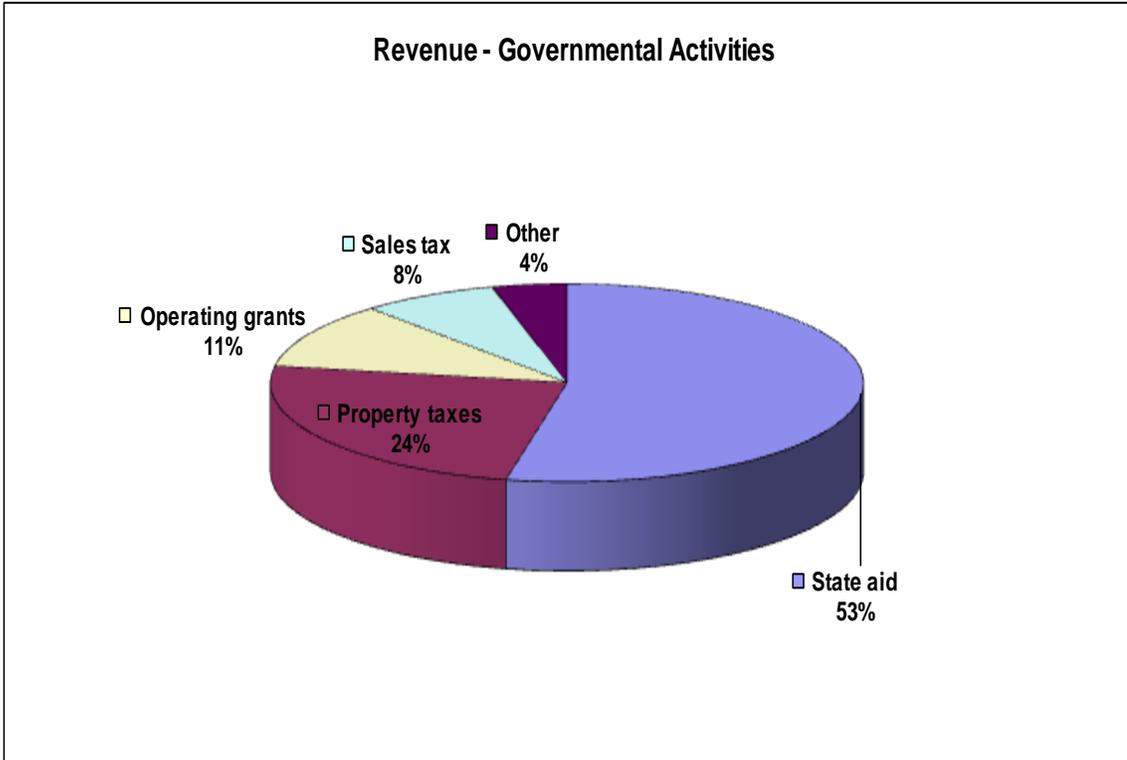
Unrestricted state grants, property taxes, and statewide sales, services and use tax are the primary sources of revenue for the District. Revenues and expenditures were on target with projections with adjustments per known changes during in the year.

Instruction constitutes the largest portion of expenditures at \$33.8 million or 61.7%. 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 9.09% of total costs.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014



BURLINGTON COMMUNITY SCHOOL DISTRICT

Management’s Discussion and Analysis

June 30, 2014

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		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 33,771,673	32,443,939	4.09%	28,471,330	27,226,096	4.57%
Support services	14,128,890	14,504,466	-2.59%	13,407,322	14,000,120	-4.23%
Non-instructional programs	43,422	14,137	207.15%	43,422	14,137	207.15%
Other expenses	4,931,706	4,337,236	13.71%	3,022,552	2,584,533	16.95%
Totals	\$ 52,875,691	51,299,778	3.07%	44,944,626	43,824,886	2.56%

- The cost of all governmental activities this year was approximately \$52.9 million
- Federal and state governments and charges for service subsidized certain programs with grants and contributions and other local revenues of \$7.9 million.
- Net cost of governmental activities (\$45.0) was financed by general revenues, which are made up of primarily property tax and statewide sales, services and use tax (\$17.3 million), state aid (\$28.9 million) and investment earnings and miscellaneous sources (\$0.1 million).

Business type Activities

Revenues of the District’s business type activities were approximately \$2.0 million and expenses were approximately \$1.9 million. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were mostly comprised of charges for service, providing meals for Notre Dame Catholic Schools, and federal and state reimbursements.

The School Nutrition Fund’s 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 \$76,853 for fiscal year 2014.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

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, unassigned 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 \$614,814. The General Fund balance is broken into nonspendable, restricted assigned and unassigned categories. Restricted fund balance consists of the following:

- \$144,631 for Home School Assistance Program
- \$230,338 for At-risk Supplemental Weighting
- \$110,896 for Gifted and Talented Programs
- \$1,960 for Beginning Administrator Mentoring and Induction Program
- \$38 for Textbook Aid for Nonpublic Students
- \$271,542 for Four-year old Preschool State Aid
- \$49,671 for Successful Progressions for Early Readers
- \$225,227 for Professional Development for Model Core Curriculum
- \$34,906 for Professional Development
- \$1,043 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 46 and 47.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management’s Discussion and Analysis

June 30, 2014

Budgetary Highlights

During the year Burlington Community School District amended its budget one time to reflect additional expenditures in the instructional, support services, non-instructional programs and other expenditures functional areas regarding increased staffing, state funding, and the timing of capital projects expenditures during the fiscal year.

The District’s total actual receipts were \$1,191,539 more than the total budgeted receipts, a variance of approximately 2.16%.

Total expenditures were \$644,176 less than total budgeted expenditures, a variance of 1.12%.

In spite of the District’s budgetary practices, expenditures in the instructional, and support services functional areas exceeded the budgeted amounts for the year ended June 30, 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District had invested approximately \$78.66 million, net of depreciation in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net decrease of \$0.69 million from last year, Total depreciation expense for the year was \$2,748,308.

The original cost of the District’s capital assets was approximately \$112.0 million. Governmental funds account for \$111.4 million, with the remainder of \$0.6 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled \$189,155 at June 30, 2014 compared to \$556,887 at June 30, 2013. The decrease was a result of the capitalization of the District’s FEMA Safe Room during fiscal 2014.

The following schedule presents capital asset balances net of depreciation at June 30, 2014.

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		
2014	2013	2014	2013	2014	2013	2013-14	
Land	\$ 2,961,227	2,959,227	-	-	2,961,227	2,959,227	0.07%
Construction in progress	189,155	556,887	-	-	189,155	556,887	-194.41%
Buildings	71,212,869	71,238,583	-	-	71,212,869	71,238,583	-0.04%
Land improvements	259,002	305,065	-	-	259,002	305,065	-17.78%
Machinery and equipment	3,900,095	4,196,288	136,514	88,826	4,036,609	4,285,114	-6.16%
Total	\$ 78,522,348	79,256,050	136,514	88,826	78,658,862	79,344,876	-0.87%

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

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

Debt Administration. At year-end, the District had \$31,911,856 in other long-term debt outstanding, of which \$2,234,746 is due within one year. The following table presents a summary of the District's outstanding long-term debt at June 30, 2014.

	Outstanding Long-Term Obligations						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenue Bonds	\$ 31,010,000	32,665,000	-	-	31,010,000	32,665,000	-5.07%
Termination Benefits	789,733	1,045,349	-	-	789,733	1,045,349	-24.45%
Compensated Absences	106,679	161,445	5,444	5,354	112,123	166,799	-32.78%
Totals	<u>\$ 31,906,412</u>	<u>33,871,794</u>	<u>5,444</u>	<u>5,354</u>	<u>31,911,856</u>	<u>33,877,148</u>	<u>-5.80%</u>

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 \$75,229,254 which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Notes 5 and 6 on pages 38 to 40 of this report.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment declines in both regular and special education along with unknown state funding for fiscal 2016 could result in large revenue reductions in the fiscal 2016 budget.

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
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,531,024	648,413	22,179,437
Receivables:			
Property tax:			
Delinquent	224,091	-	224,091
Succeeding year	13,703,961	-	13,703,961
Accounts	13,868	-	13,868
Due from other governments	1,662,397	-	1,662,397
Prepaid expenses	18,077	-	18,077
Inventories	-	29,569	29,569
Net OPEB asset	2,022,225	22,492	2,044,717
Capital assets, net of accumulated depreciation	78,522,348	136,514	78,658,862
TOTAL ASSETS	117,697,991	836,988	118,534,979
LIABILITIES			
Accounts payable	2,551,508	375	2,551,883
Salaries and benefits payable	4,721,354	42,959	4,764,313
Advances from grantors	66,931	-	66,931
Unearned revenue	-	14,918	14,918
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	1,695,000	-	1,695,000
Termination benefits payable	427,623	-	427,623
Compensated absences payable	106,679	5,444	112,123
Portion due after one year:			
Revenue bonds payable	29,315,000	-	29,315,000
Termination benefits payable	362,110	-	362,110
TOTAL LIABILITIES	39,246,205	63,696	39,309,901
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	13,703,961	-	13,703,961
NET POSITION			
Net investment in capital assets	47,512,348	136,514	47,648,862
Restricted for:			
Categorical funding	1,070,252	-	1,070,252
Debt service	3,434,892	-	3,434,892
Student activities	346,310	-	346,310
Support trust purposes	151,981	-	151,981
School infrastructure	2,975,273	-	2,975,273
Physical plant and equipment	194,522	-	194,522
Unrestricted	9,062,247	636,778	9,699,025
TOTAL NET POSITION	\$ 64,747,825	773,292	65,521,117

SEE NOTES TO FINANCIAL STATEMENTS.

**BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 20,462,453	508,267	400,237	-	(19,553,949)	-	(19,553,949)
Special	8,931,498	328,291	1,467,396	-	(7,135,811)	-	(7,135,811)
Other	4,377,722	615,404	1,980,748	-	(1,781,570)	-	(1,781,570)
	<u>33,771,673</u>	<u>1,451,962</u>	<u>3,848,381</u>	<u>-</u>	<u>(28,471,330)</u>	<u>-</u>	<u>(28,471,330)</u>
Support services:							
Student	1,894,504	-	16,881	-	(1,877,623)	-	(1,877,623)
Instructional staff	1,055,737	-	37,499	-	(1,018,238)	-	(1,018,238)
Administration	4,918,174	-	-	-	(4,918,174)	-	(4,918,174)
Operation and maintenance of plant	4,739,458	-	-	625,111	(4,114,347)	-	(4,114,347)
Transportation	1,521,017	3,471	38,606	-	(1,478,940)	-	(1,478,940)
	<u>14,128,890</u>	<u>3,471</u>	<u>92,986</u>	<u>625,111</u>	<u>(13,407,322)</u>	<u>-</u>	<u>(13,407,322)</u>
Non-instructional programs:							
Food service operations	24,490	-	-	-	(24,490)	-	(24,490)
Community service operations	18,932	-	-	-	(18,932)	-	(18,932)
	<u>43,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,422)</u>	<u>-</u>	<u>(43,422)</u>
Long-term debt interest	1,221,302	-	-	-	(1,221,302)	-	(1,221,302)
Other expenses:							
AEA flowthrough	1,909,154	-	1,909,154	-	-	-	-
Depreciation (unallocated)*	1,801,250	-	-	-	(1,801,250)	-	(1,801,250)
	<u>3,710,404</u>	<u>-</u>	<u>1,909,154</u>	<u>-</u>	<u>(1,801,250)</u>	<u>-</u>	<u>(1,801,250)</u>
Total governmental activities	<u>52,875,691</u>	<u>1,455,433</u>	<u>5,850,521</u>	<u>625,111</u>	<u>(44,944,626)</u>	<u>-</u>	<u>(44,944,626)</u>
Business type activities:							
Support services:							
Administration	58,251	-	-	-	-	(58,251)	(58,251)
Operation and maintenance of plant	825	-	-	-	-	(825)	(825)
	<u>59,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,076)</u>	<u>(59,076)</u>
Non-instructional programs:							
Food service operations	1,833,374	363,356	1,554,023	-	-	84,005	84,005
	<u>1,892,450</u>	<u>363,356</u>	<u>1,554,023</u>	<u>-</u>	<u>-</u>	<u>24,929</u>	<u>24,929</u>
Total business type activities	<u>1,892,450</u>	<u>363,356</u>	<u>1,554,023</u>	<u>-</u>	<u>-</u>	<u>24,929</u>	<u>24,929</u>
Total	<u>\$ 54,768,141</u>	<u>1,818,789</u>	<u>7,404,544</u>	<u>625,111</u>	<u>(44,944,626)</u>	<u>24,929</u>	<u>(44,919,697)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 12,308,703	-		12,308,703
Capital outlay				938,908	-		938,908
Statewide sales, services and use tax				4,046,449	-		4,046,449
Unrestricted state grants				28,937,471	-		28,937,471
Unrestricted investment earnings				3,047	27		3,074
Other				129,645	51,897		181,542
Total general revenues				<u>46,364,223</u>	<u>51,924</u>		<u>46,416,147</u>
Change in net position				1,419,597	76,853		1,496,450
Net position beginning of year				<u>63,328,228</u>	<u>696,439</u>		<u>64,024,667</u>
Net position end of year				<u>\$ 64,747,825</u>	<u>773,292</u>		<u>65,521,117</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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 11,966,840	2,752,400	4,864,068	1,175,299	20,758,607
Receivables:					
Property tax					
Delinquent	192,739	16,123	-	15,229	224,091
Succeeding year	11,715,968	952,990	-	1,035,003	13,703,961
Accounts	13,868	-	-	-	13,868
Due from other governments	1,021,978	640,419	-	-	1,662,397
Prepaid expenses	18,077	-	-	-	18,077
TOTAL ASSETS	\$ 24,929,470	4,361,932	4,864,068	2,225,531	36,381,001
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 876,249	239,147	1,429,176	6,936	2,551,508
Salaries and benefits payable	4,719,411	-	-	1,943	4,721,354
Advances from grantors	66,931	-	-	-	66,931
Total liabilities	5,662,591	239,147	1,429,176	8,879	7,339,793
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	11,715,968	952,990	-	1,035,003	13,703,961
Fund balances:					
Nonspendable	18,077	-	-	-	18,077
Restricted for:					
Categorical funding	1,070,252	-	-	-	1,070,252
Debt service	-	-	3,434,892	-	3,434,892
Management levy purposes	-	-	-	683,358	683,358
Student activities	-	-	-	346,310	346,310
Support trust purposes	-	-	-	151,981	151,981
School infrastructure	-	2,975,273	-	-	2,975,273
Physical plant and equipment	-	194,522	-	-	194,522
Assigned for special purposes	76,308	-	-	-	76,308
Unassigned	6,386,274	-	-	-	6,386,274
Total fund balances	7,550,911	3,169,795	3,434,892	1,181,649	15,337,247
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 24,929,470	4,361,932	4,864,068	2,225,531	36,381,001

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 22)	\$	15,337,247
 <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.		78,522,348
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		772,417
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		2,022,225
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>(31,906,412)</u>
Net position of governmental activities(page 20)	\$	<u><u>64,747,825</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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 11,404,944	938,908	-	903,759	13,247,611
Tuition	747,319	-	-	-	747,319
Other	249,465	28,297	440	641,447	919,649
State sources	31,592,298	4,120,642	-	680	35,713,620
Federal sources	3,115,520	551,569	-	-	3,667,089
Total revenues	47,109,546	5,639,416	440	1,545,886	54,295,288
Expenditures:					
Current:					
Instruction:					
Regular	20,504,181	-	-	534,495	21,038,676
Special	9,004,603	-	-	-	9,004,603
Other	3,701,997	-	-	705,779	4,407,776
	33,210,781	-	-	1,240,274	34,451,055
Support services:					
Student	1,926,637	-	-	15,572	1,942,209
Instructional staff	1,059,626	-	-	6,318	1,065,944
Administration	4,833,109	-	-	149,612	4,982,721
Operation and maintenance of plant	3,545,549	107,803	-	192,273	3,845,625
Transportation	1,224,304	191,130	-	67,126	1,482,560
	12,589,225	298,933	-	430,901	13,319,059
Non-instructional programs:					
Food service operations	-	-	-	20,719	20,719
Community service operations	18,932	-	-	-	18,932
	18,932	-	-	20,719	39,651
Capital outlay	-	2,368,609	-	-	2,368,609
Long-term debt:					
Principal	-	-	1,655,000	-	1,655,000
Interest and fiscal charges	-	-	1,221,302	-	1,221,302
	-	-	2,876,302	-	2,876,302
Other expenditures:					
AEA flowthrough	1,909,154	-	-	-	1,909,154
Total expenditures	47,728,092	2,667,542	2,876,302	1,691,894	54,963,830
Excess(deficiency)of revenues over(under) expenditures	(618,546)	2,971,874	(2,875,862)	(146,008)	(668,542)
Other financing sources(uses):					
Transfer in	-	1,000,000	2,732,451	-	3,732,451
Transfer out	-	(2,732,451)	(1,000,000)	-	(3,732,451)
Compensation for the loss of fixed asset	3,732	8,250	-	-	11,982
Total other financing sources(uses)	3,732	(1,724,201)	1,732,451	-	11,982
Change in fund balances	(614,814)	1,247,673	(1,143,411)	(146,008)	(656,560)
Fund balance beginning of year	8,165,725	1,922,122	4,578,303	1,327,657	15,993,807
Fund balance end of year	\$ 7,550,911	3,169,795	3,434,892	1,181,649	15,337,247

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, 2014

Change in fund balances - total governmental funds(page 24)	\$	(656,560)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	\$ 1,994,950	
Depreciation expense	<u>(2,728,652)</u>	(733,702)
 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.		
		1,655,000
 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	\$ 255,616	
Compensated absences	54,766	
Other postemployment benefits	<u>365,153</u>	675,535
 Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		<u>479,324</u>
Change in net position of governmental activities(page 21)	\$	<u><u>1,419,597</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 648,413	772,417
Inventories	29,569	-
Total current assets	<u>677,982</u>	<u>772,417</u>
Noncurrent assets:		
Net OPEB asset	22,492	-
Capital assets, net of accumulated depreciation	136,514	-
Total noncurrent assets	<u>159,006</u>	<u>-</u>
TOTAL ASSETS	<u>836,988</u>	<u>772,417</u>
LIABILITIES		
Current liabilities:		
Accounts payable	375	-
Salaries and benefits payable	42,959	-
Unearned revenue	14,918	-
Total current liabilities	<u>58,252</u>	<u>-</u>
Long-term liabilities:		
Compensated absences	5,444	-
TOTAL LIABILITIES	<u>63,696</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	136,514	-
Unrestricted	636,778	772,417
TOTAL NET POSITION	<u>\$ 773,292</u>	<u>772,417</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 363,356	-
Miscellaneous	51,897	7,084,825
Total operating revenues	<u>415,253</u>	<u>7,084,825</u>
Operating expenses:		
Support services:		
Administration:		
Salaries	25,082	-
Benefits	11,474	-
Services	13,809	-
Supplies	7,886	-
	<u>58,251</u>	<u>-</u>
Operation and maintenance of plant:		
Services	825	-
Total support services	<u>59,076</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	675,102	-
Benefits	165,503	-
Supplies	972,998	-
Depreciation	19,656	-
Other	115	-
	<u>1,833,374</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	6,605,501
Total non-instructional programs	<u>1,833,374</u>	<u>6,605,501</u>
Total operating expenses	<u>1,892,450</u>	<u>6,605,501</u>
Operating income(loss)	<u>(1,477,197)</u>	<u>479,324</u>
Non-operating revenues:		
State sources	16,539	-
Federal sources	1,537,484	-
Interest income	27	-
Total non-operating revenues	<u>1,554,050</u>	<u>-</u>
Change in net position	76,853	479,324
Net position beginning of year	<u>696,439</u>	<u>293,093</u>
Net position end of year	<u>\$ 773,292</u>	<u>772,417</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	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	\$ 365,868	-
Cash received from miscellaneous operating activities	51,897	7,084,825
Cash payments to employees for services	(882,588)	-
Cash payments to suppliers for goods or services	(849,446)	(6,620,076)
Net cash provided by(used in) operating activities	<u>(1,314,269)</u>	<u>464,749</u>
Cash flows from non-capital financing activities:		
State grants received	16,539	-
Federal grants received	1,408,145	-
Net cash provided by non-capital financing activities	<u>1,424,684</u>	<u>-</u>
Cash flows from capital activities:		
Acquisition of capital assets	(67,344)	-
Cash flows from investing activities:		
Interest on investments	27	-
Net increase in cash and cash equivalents	43,098	464,749
Cash and cash equivalents beginning of year	605,315	307,668
Cash and cash equivalents end of year	<u>\$ 648,413</u>	<u>772,417</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (1,477,197)	479,324
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	129,339	-
Depreciation	19,656	-
Decrease in inventories	16,750	-
Increase(decrease) in accounts payable	98	(14,575)
Decrease in salaries and benefits payable	(1,455)	-
Increase in deferred revenue	2,512	-
Increase in compensated absences	90	-
Decrease in other postemployment benefits	(4,062)	-
Net cash provided by(used in) operating activities	<u>\$ (1,314,269)</u>	<u>464,749</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$129,339.

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 87,261
LIABILITIES	-
NET POSITION	
Restricted for scholarships	\$ 87,261

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 1,060
Interest income	166
TOTAL ADDITIONS	<u>1,226</u>
DEDUCTIONS:	
Instruction:	
Regular	<u>4,500</u>
Change in net position	(3,274)
Net position beginning of year	<u>90,535</u>
Net position end of year	<u>\$ 87,261</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, deferred outflows or resources, liabilities and deferred inflows or resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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, Deferred Inflows or Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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, 2014. 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.

Deferred Inflows of Resources - 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 year. Deferred inflows or resources 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 year. Deferred inflows or resources consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows or resources 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.

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, 2014 expenditures in the instructional and support services functional areas exceeded the budgeted amounts.

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Governmental Obligation Portfolio which are valued at an amortized cost of \$14,192,642 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, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 2,732,451
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service	<u>1,000,000</u>
Total		<u>\$ 3,732,451</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.

The transfer from the Debt Service Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was to release the \$1,000,000 super reserve from the 2009C revenue bonds.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,959,227	2,000	-	2,961,227
Construction in progress	556,887	1,358,241	1,725,973	189,155
Total capital assets not being depreciated	<u>3,516,114</u>	<u>1,360,241</u>	<u>1,725,973</u>	<u>3,150,382</u>
Capital assets being depreciated:				
Buildings	87,563,713	1,729,473	-	89,293,186
Land improvements	921,265	-	-	921,265
Machinery and equipment	17,410,392	631,209	18,250	18,023,351
Total capital assets being depreciated	<u>105,895,370</u>	<u>2,360,682</u>	<u>18,250</u>	<u>108,237,802</u>
Less accumulated depreciation for:				
Buildings	16,325,130	1,755,187	-	18,080,317
Land improvements	616,200	46,063	-	662,263
Machinery and equipment	13,214,104	927,402	18,250	14,123,256
Total accumulated depreciation	<u>30,155,434</u>	<u>2,728,652</u>	<u>18,250</u>	<u>32,865,836</u>
Total capital assets being depreciated, net	<u>75,739,936</u>	<u>(367,970)</u>	<u>-</u>	<u>75,371,966</u>
Governmental activities capital assets, net	<u>\$ 79,256,050</u>	<u>992,271</u>	<u>1,725,973</u>	<u>78,522,348</u>
Business type activities:				
Machinery and equipment	\$ 573,080	67,344	-	640,424
Less accumulated depreciation	484,254	19,656	-	503,910
Business type activities capital assets, net	<u>\$ 88,826</u>	<u>47,688</u>	<u>-</u>	<u>136,514</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 464,131
Support services:	
Administration	122,345
Operation and maintenance of plant	103,647
Transportation	237,279
	<u>927,402</u>
Unallocated depreciation	1,801,250
Total governmental activities depreciation expense	<u>\$ 2,728,652</u>
Business type activities:	
Food service operations	<u>\$ 19,656</u>

Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 32,665,000	-	1,655,000	31,010,000	1,695,000
Termination Benefits	1,045,349	245,268	500,884	789,733	427,623
Compensated Absences	161,445	106,679	161,445	106,679	106,679
Total	<u>\$ 33,871,794</u>	<u>351,947</u>	<u>2,317,329</u>	<u>31,906,412</u>	<u>2,229,302</u>
Business type activities:					
Compensated Absences	\$ 5,354	5,444	5,354	5,444	5,444

Revenue Bonds

Details of the District's June 30, 2014 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		Interest	Interest		Interest
	Rate	Principal		Rate	Principal	
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	1.38	-	282,296	1.38	-	251,847
2020-2024	1.63-2.25	3,205,000	1,151,742	1.63-2.25	3,160,000	1,057,533
2025-2027	2.38-2.50	2,670,000	182,563	2.38	2,035,000	153,500
Total		<u>\$ 5,875,000</u>	<u>2,745,785</u>		<u>\$ 5,195,000</u>	<u>2,470,270</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		Interest	Interest		Interest	Principal	Interest	Total
	Rate	Principal		Rate	Principal				
2015	3.50%	\$ 1,485,000	392,317	2.000%	\$ 210,000	233,991	1,695,000	1,160,451	2,855,451
2016	3.50	1,520,000	340,080	2.000	210,000	229,791	1,730,000	1,104,015	2,834,015
2017	4.00	1,550,000	284,593	2.000	210,000	225,591	1,760,000	1,044,327	2,804,327
2018	4.00	1,595,000	222,192	2.000	220,000	221,341	1,815,000	977,677	2,792,677
2019	4.00	1,635,000	157,993	1.375	225,000	217,285	1,860,000	909,421	2,769,421
2020-2024	4.10-4.50	2,605,000	146,941	1.625-2.250	1,255,000	1,023,659	10,225,000	3,379,875	13,604,875
2025-2029	-	-	-	2.375-3.000	7,220,000	686,376	11,925,000	1,022,439	12,947,439
Total		<u>\$ 10,390,000</u>	<u>1,544,116</u>		<u>\$ 9,550,000</u>	<u>2,838,034</u>	<u>31,010,000</u>	<u>9,598,205</u>	<u>40,608,205</u>

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 2029. 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 71% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$40,608,205. For the current year \$1,665,000 in principal and \$1,215,303 in interest was paid on the bonds and total statewide sales and services tax revenues were \$4,046,449

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

In November 2013, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least ten consecutive years of service with the District and reach age 55 by June 30, 2014. The applications for early retirement were subject to approval by the board. The District also offered a voluntary early retirement plan from 2005-2008 to its full-time licensed employees and to non-licensed employees. Eligible employees must have 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.

Fiscal 2014 early retirees were to receive benefits as follows: Early retirement benefits for certified staff equal \$100 per year of service for the first 19 years and \$200 for each year of service 20 years or more and a sick leave payout of \$50 per unused day. Early retirement benefits for non-certified staff equal \$25 for each year of service and a sick leave payout of \$50 per unused day.

The plan requires early retirement benefits to be paid in two equal installments to an HRA beginning on July 1, 2014 and July 1, 2015 respectively. As of June 30, 2014 the District had obligations of \$245,268 to twenty-four fiscal year 2014 retirees.

Retirees from 2005-2008 were given the option to continue District insurance benefits upon retirement. 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. As of June 30, 2014 the District had obligations of \$544,465 to thirty participants through the year 2018.

At June 30, 2014, the District had obligations to a total of fifty-four participants with a total liability of \$789,773. Actual early retirement expenditures paid during the year ended June 30, 2014, totaled \$500,884.

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 bonds with interest rates from 5.10 to 5.35 percent, and \$3,305,000 of outstanding March 1, 2009 Series B revenue bonds 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, 2014, \$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.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 400 active and 79 retired members in the plan. Retired 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, 2014, 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		(33,510)
Adjustment to annual required contribution		74,078
Annual OPEB cost		<u>213,477</u>
Contributions made		<u>(582,692)</u>
Increase in net OPEB obligation		(369,215)
Net OPEB obligation beginning of year		<u>(1,675,502)</u>
Net OPEB obligation end of year	\$	<u><u>(2,044,717)</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, 2014.

For the year ended June 30, 2014, the District contributed \$582,692 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 483,237	205.73%	\$ (1,214,194)
2013	202,307	328.02	(1,675,502)
2014	213,477	272.95	(2,044,717)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$21,615,902 and the ratio of the UAAL to covered payroll was 11.41%. As of June 30, 2014, 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 for the Retiree Health Plan 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 less than age 65. 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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$2,375,999, \$2,206,848 and \$1,932,389, 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 \$1,909,154 for the year ended June 30, 2014 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 \$1,288,825 for the construction of a new athletic press box. As of June 30, 2014, costs of \$189,155 had been incurred against the contracts. The balance of \$1,099,670 remaining at June 30, 2014 will be paid as work on the projects progresses.

Note 12. 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, 2014, expenditures in the instruction and support services functional areas exceeded budgeted amounts.

Note 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits,

including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 14. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 144,631
At-risk supplemental weighting	230,338
Gifted and talented programs	110,896
Beginning administrator mentoring and induction program	1,960
Textbook aid for nonpublic students	38
Four-year-old preschool state aid	271,542
Successful progression for early readers	49,671
Professional development for model core curriculum	225,227
Professional development	34,906
Market factor incentives	1,043
Total	\$ 1,070,252

Note 15. Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	683,358	6,386,274
Invested in capital assets, net of accumulated depreciation	78,522,348	-	-
Revenue bond capitalized indebtedness	(31,010,000)	-	-
Termination benefits	-	(683,358)	(106,375)
Nonspendable fund balance	-	-	18,077
Assigned fund balance	-	-	76,308
Internal service fund	-	-	772,417
Compensated absences	-	-	(106,679)
Net OPEB asset	-	-	2,022,225
Net position (Exhibit A)	\$ 47,512,348	-	9,062,247

Burlington Community School District

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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 14,914,579	415,280	15,329,859	19,198,755	19,198,755	(3,868,896)
State sources	35,713,620	16,539	35,730,159	30,706,346	30,706,346	5,023,813
Federal sources	3,667,089	1,537,484	5,204,573	5,167,951	5,167,951	36,622
Total revenues	54,295,288	1,969,303	56,264,591	55,073,052	55,073,052	1,191,539
Expenditures/Expenses:						
Instruction	34,451,055	-	34,451,055	33,631,107	34,131,106	(319,949)
Support services	13,319,059	59,076	13,378,135	12,132,394	13,132,394	(245,741)
Non-instructional programs	39,651	1,833,374	1,873,025	2,185,848	2,435,848	562,823
Other expenditures	7,154,065	-	7,154,065	7,301,108	7,801,108	647,043
Total expenditures/expenses	54,963,830	1,892,450	56,856,280	55,250,457	57,500,456	644,176
Excess(deficiency) of revenues over(under) expenditures/expenses	(668,542)	76,853	(591,689)	(177,405)	(2,427,404)	1,835,715
Other financing sources, net	11,982	-	11,982	10,000	10,000	1,982
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(656,560)	76,853	(579,707)	(167,405)	(2,417,404)	1,837,697
Balance beginning of year	15,993,807	696,439	16,690,246	16,290,291	16,290,291	399,955
Balance end of year	\$ 15,337,247	773,292	16,110,539	16,122,886	13,872,887	2,237,652

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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.

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 \$2,249,999.

During the year ended June 30, 2014, the expenditures in the instruction and support services functional areas 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
2014	July 1, 2012	-	2,465,701	2,465,701	0.00	21,615,902	11.41

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, 2014

	Special Revenue			
	Manage- ment Levy	Student Activity	Support Trust	Total
ASSETS				
Cash and pooled investments	\$ 669,662	353,586	152,051	1,175,299
Receivables:				
Property tax				
Delinquent	15,229	-	-	15,229
Succeeding year	1,035,003	-	-	1,035,003
TOTAL ASSETS	\$ 1,719,894	353,586	152,051	2,225,531
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,533	5,333	70	6,936
Salaries and benefits payable	-	1,943	-	1,943
Total liabilities	1,533	7,276	70	8,879
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,035,003	-	-	1,035,003
Fund balances:				
Restricted for:				
Management levy purposes	683,358	-	-	683,358
Student activities	-	346,310	-	346,310
Support trust purposes	-	-	151,981	151,981
Total fund balances	683,358	346,310	151,981	1,181,649
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,719,894	353,586	152,051	2,225,531

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, 2014

	Special Revenue			
	Manage- ment Levy	Student Activity	Support Trust	Total
Revenues:				
Local sources:				
Local tax	\$ 903,759	-	-	903,759
Other	11,031	614,907	15,509	641,447
State sources	680	-	-	680
Total revenues	915,470	614,907	15,509	1,545,886
Expenditures:				
Current:				
Instruction:				
Regular	459,833	-	74,662	534,495
Other	-	700,491	5,288	705,779
Support services:				
Student	15,572	-	-	15,572
Instructional staff	6,318	-	-	6,318
Administration	149,612	-	-	149,612
Operation and maintenance of plant	192,273	-	-	192,273
Transportation	67,126	-	-	67,126
Non-instructional programs:				
Food service operations	20,719	-	-	20,719
Total expenditures	911,453	700,491	79,950	1,691,894
Change in fund balances	4,017	(85,584)	(64,441)	(146,008)
Fund balances beginning of year	679,341	431,894	216,422	1,327,657
Fund balances end of year	\$ 683,358	346,310	151,981	1,181,649

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 2,550,444	201,956	2,752,400
Receivables:			
Property tax:			
Delinquent	-	16,123	16,123
Succeeding year	-	952,990	952,990
Due from other governments	640,419	-	640,419
TOTAL ASSETS	\$ 3,190,863	1,171,069	4,361,932
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 215,590	23,557	239,147
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	952,990	952,990
Fund balances:			
Restricted for:			
School infrastructure	2,975,273	-	2,975,273
Physical plant and equipment	-	194,522	194,522
Total fund balances	2,975,273	194,522	3,169,795
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,190,863	1,171,069	4,361,932

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, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUE:			
Local sources:			
Local tax	\$ -	938,908	938,908
Other	123	28,174	28,297
State sources	4,046,449	74,193	4,120,642
Federal sources	-	551,569	551,569
Total revenue	4,046,572	1,592,844	5,639,416
EXPENDITURES:			
Current:			
Support services:			
Operation and maintenance of plant	-	107,803	107,803
Transportation	-	191,130	191,130
Capital outlay	791,597	1,577,012	2,368,609
Total expenditures	791,597	1,875,945	2,667,542
Excess(deficiency) of revenues over(under) expenditures	3,254,975	(283,101)	2,971,874
Other financing sources(uses):			
Transfer in	1,000,000	-	1,000,000
Transfer out	(2,732,451)	-	(2,732,451)
Compensation for loss of fixed asset	-	8,250	8,250
Total other financing sources(uses)	(1,732,451)	8,250	(1,724,201)
Change in fund balances	1,522,524	(274,851)	1,247,673
Fund balances beginning of year	1,452,749	469,373	1,922,122
Fund balances end of year	\$ 2,975,273	194,522	3,169,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
<u>SENIOR HIGH SCHOOL</u>				
ACTIVITY	12,273	726	2,814	10,185
DRAMA	-	2,278	1,955	323
CHORAL	16,771	40,009	55,494	1,286
PURPLE AIRES	3,006	-	3,006	-
ORCHESTRA/CHAMBER	4,196	20,941	23,707	1,430
BAND/COLOR GUARD	9,832	65,534	70,925	4,441
JAZZ BAND	301	-	-	301
MUSIC/DRAMA	10,084	3,311	4,485	8,910
MIDDLE SCHOOL ATHLETICS	6,188	16,714	14,252	8,650
FUTURE GRAYHOUND BBALL	5,097	-	-	5,097
GENERAL ATHLETICS	73,847	99,681	80,744	92,784
CHEERLEADERS	1,994	8,547	10,122	419
FUTURE GRAYHOUND SWIMMING	7,770	1,145	5,000	3,915
ART CLUB	3,788	604	1,550	2,842
KIWANIS KEY CLUB	-	3,126	3,126	-
PURPLE AND GRAY	184	-	-	184
INTERNATIONAL CLUB	123	204	-	327
PATHFINDER	20,476	21,104	32,290	9,290
ECOLOGY CLUB	2,260	104	218	2,146
SADD	367	321	688	-
VARSITY CLUB	7,228	15,729	18,227	4,730
POST PROM	-	3,489	3,489	-
RENAISSANCE STORE	3,271	18,886	15,077	7,080
SOPHOMORE CLASS	37	-	-	37
JUNIOR CLASS	3,303	5,646	4,772	4,177
SENIOR CLASS	11,819	531	1,242	11,108
NATIONAL HONOR SOCIETY	449	105	111	443
STUDENT COUNCIL	25,408	32,206	33,104	24,510
HERO	1,596	6,681	4,435	3,842
TECHNOLOGY STUDENT	1,457	2,429	1,620	2,266
DECA	2,589	-	-	2,589
BPA CLUB	121	-	-	121
DANCE TEAM	-	4,143	4,143	-
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	35,880	41,462	49,718	27,624
FOOTBALL	39,755	54,706	88,708	5,753
SWIMMING	7,510	7,015	4,515	10,010
WRESTLING	1,859	26,095	23,227	4,727
TRACK	200	6,295	6,380	115
CROSS COUNTRY TRACK	2,520	3,240	4,912	848
BOWLING	1,895	-	-	1,895
BASEBALL	12,400	15,839	24,469	3,770
TENNIS	329	1,680	856	1,153
GOLF	660	4,850	3,367	2,143
SOCCER	7,272	8,807	9,375	6,704
<u>GIRLS ATHLETICS</u>				
SOCCER	-	9,062	8,366	696
BASKETBALL	20,502	5,318	16,489	9,331
VOLLEYBALL	8,966	14,893	20,127	3,732
SWIMMING	4,393	3,135	5,112	2,416
SOFTBALL	-	11,556	9,402	2,154
TRACK	-	6,660	3,890	2,770
TENNIS	1,482	465	822	1,125
GOLF	792	2,430	895	2,327
<u>TOTAL HIGH SCHOOL</u>	382,513	597,702	677,226	302,989
<u>OTHER BUILDINGS</u>				
JAMES MADISON	15,682	6,485	6,405	15,762
OAK STREET	13,482	5,318	6,118	12,682
CORSE	1,268	-	480	788
BLACK HAWK	2,459	3,172	2,960	2,671
GRIMES	2,518	1,624	3,496	646
NORTH HILL	4,171	-	2,325	1,846
SUNNYSIDE	9,801	606	1,481	8,926
<u>TOTAL OTHER BUILDINGS</u>	49,381	17,205	23,265	43,321
Total	\$ 431,894	614,907	700,491	346,310

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
GUEGLER TRUST	\$ 14,041	-	-	14,041
JOHN H WITTE FOUNDATION	55,262	-	55,261	1
ED FOUNDATION SP. PROGRAM	4,358	15,447	19,401	404
BHS MUSIC PATRONS	5,235	-	-	5,235
BHS WAGNER MEMORIAL	3,040	24	-	3,064
BHS W DUKE FIELD IMP	9,229	28	5,288	3,969
BHS JAMES ANDERS	120,599	3	-	120,602
BHS ATH TRACK MAINTENANCE	4,658	7	-	4,665
Total	<u>\$ 216,422</u>	<u>15,509</u>	<u>79,950</u>	<u>151,981</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, 2014

Account	Beginning Net Position	Additions	Deductions	Ending Net Position
JEFFERSON NURSE SCHOLARSHIP	\$ 250	450	250	450
CONNER TRUST FUND	(282)	282	-	-
BHS ADAMS EX SCH	33,827	89	-	33,916
BHS FARR SCHOLARSHIP	27	-	-	27
BHS E BEDELL MEMORIAL	1,080	3	-	1,083
BHS HABERICHTER MEMORIAL	668	4	50	622
BHS JOHANNSEN SCHOLARSHIP	12,288	25	200	12,113
BHS PERRINE SCHOLARSHIP	2,411	7	150	2,268
WEHMAN SCHOLARSHIP	4,641	10	-	4,651
BHS STUDENT COUNCIL SCHOOL	6,606	-	2,400	4,206
BHS ECOLOGY SCHOOL	724	328	250	802
BHS HUPPENBAUER SCIENCE	9,640	28	1,000	8,668
BHS BERQUIST MUSIC	17,817	-	-	17,817
BHS J FRANKLIN	838	-	200	638
Total	\$ 90,535	1,226	4,500	87,261

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 13,247,611	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
Tuition	747,319	842,761	888,290	844,437	775,253	877,646	756,547	751,509	724,325	629,047
Other	919,649	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
Intermediate sources	-	-	-	-	-	11,245	-	-	-	1,023
State sources	35,713,620	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
Federal sources	3,667,089	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
Total	\$ 54,295,288	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
Expenditures:										
Instruction:										
Regular	\$ 21,038,676	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
Special	9,004,603	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
Other	4,407,776	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
Support services:										
Student	1,942,209	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
Instructional staff	1,065,944	1,028,208	1,125,093	1,357,465	1,054,141	953,983	976,213	982,040	968,943	1,329,455
Administration	4,982,721	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
Operation and maintenance										
of plant	3,845,625	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
Transportation	1,482,560	1,410,024	1,301,984	1,181,520	1,030,181	1,095,899	1,089,385	943,801	885,422	842,986
Non-instructional programs	39,651	18,266	21,283	39,689	36,378	28,231	133,491	124,655	151,791	284,079
Capital outlay	2,368,609	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
Long-term debt:										
Principal	1,655,000	1,695,000	-	-	-	20,557,713	1,800,319	1,741,957	9,818,011	980,000
Interest and fiscal charges	1,221,302	1,145,587	1,418,345	1,418,345	1,520,176	1,263,199	547,319	178,587	314,009	338,113
Other expenditures:										
AEA flow-through	1,909,154	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
Total	\$ 54,963,830	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRIITON CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 267,966
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	1,191,579 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	9,797
			<u>1,469,342</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 14	<u>68,142</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	21,205
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0882-G	1,168,892
TITLE I SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 14	13,804
			<u>1,203,901</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013	FY 14	<u>26,489</u>
SPECIAL EDUCATION - GRANTS TO STATES (IDEA SUBGRANT)	84.027	FY 14	<u>14,741 **</u>
CAREER AND TEACHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>68,306</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 14	<u>74,997</u>
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 14	<u>3,477</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	<u>241,899</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 14	<u>22,880</u>
GREAT PRARIE AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 14	<u>248,625 **</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 14	<u>846</u>
UNIVERSITY OF NORTHERN IOWA:			
STATE FISCAL STABILIZATION FUND (SFSF) - INVESTING IN INNOVATION (i3) FUND, RECOVERY ACT	84.396	FY 14	<u>4,990</u>
U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 14	<u>339</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISON:			
HAZARD MITIGATION GRANT	97.039	FY 14	<u>551,569</u>
TOTAL			<u>\$ 4,000,543</u>

* - Includes \$129,339 of non-cash awards.

** Total for Special Education Cluster (IDEA) is \$263,366.

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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 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.

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.

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, 2014 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.

December 22, 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 Federal Program, and on Internal Control over Compliance
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 its major federal programs for the year ended June 30, 2014. 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 of the major federal programs. 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, 2014.

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.

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.

December 22, 2014
Newton, Iowa

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No 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 Programs:

- **Child Nutrition Cluster**
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
- **Title I Cluster**
 - CFDA Number 84.010 - Title I Grants to Local Agencies
 - CFDA Number 84.010 - Title I Schools in Need of Assistance

Individual Program:

- 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:

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 exceeded the certified budgeted amounts in the instruction and support services functional areas.

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

Response - The District will make every effort to sufficiently amend the budget in the future.

Conclusion - Response accepted.

IV-B-14 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-14 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-14 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Adam Glasgow, Teacher Owner of Greyhound Painting	Services-Painting	\$51,958

According to Attorney General's Opinion dated July 2, 1990 the above transactions with the teacher do not appear to represent a conflict of interest.

IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was understated by one student.

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

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

Conclusion - Response accepted.

IV-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 0.052 for the fall of 2012.

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

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

Conclusion - Response accepted.

IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,452,749	
Revenues:			
Sales tax revenues	\$ 4,046,449		
Other local revenues	123		
Transfer from debt service fund	1,000,000	5,046,572	
		<u>6,499,321</u>	
Expenditures/transfers out:			
School infrastructure construction	\$ 791,597		
Transfers to other funds:			
Debt service fund	2,732,451	3,524,048	
		<u>3,524,048</u>	
Ending balance			<u><u>\$ 2,975,273</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.