

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

JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Fund and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of the District's Proportionate Share of the Net Pension Liability		48
Schedule of District Contributions		49
Notes to Required Supplementary Information - Pension Liability		50
Schedule of Funding Progress for the Retiree Health Plan		51
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	55
Capital Projects Accounts:		
Combining Balance Sheet	3	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	58-59
Schedule of Changes in Special Revenue Fund, Support Trust Accounts	6	60
Schedule of Changes in Fiduciary Net Position, Private Purpose Trust Accounts	7	61
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	62
Schedule of Expenditures of Federal Awards	9	63
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>		64-65
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		66-67
Schedule of Findings and Questioned Costs		68-71

Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Marlis Robberts	President	2015
Dean Vickstrom	Vice President	2017
Linda Garwood	Board Member	2017
Tammy Darnall	Board Member	2015
Mike Shinn	Board Member	2015
Michael Warner	Board Member	2015
Darven Kendell	Board Member	2017
<u>School Officials</u>		
Patrick Coen	Superintendent	2015
Chris Stensland	Board Secretary/Treasurer (Through June 5, 2015)	2015
Sharon Dentlinger	Board Secretary/Treasurer (Appointed June 2015)	2015
Ahler's & Cooney, P.C.	Attorney	2015

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, 2015, 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, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Emphasis of Matter

As discussed in Note 13 to the financial statements, Burlington Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 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, 2014 (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 January 6, 2016, on our consideration of the Burlington Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Burlington Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 6, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Burlington Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities at June 30, 2015 increased by \$6,129,190 from the restated net position at July 1, 2014. This increase was primarily due to an increase in state grant revenues during the year and a decrease in expenditures as compared to the previous year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Burlington Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Burlington Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Burlington Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

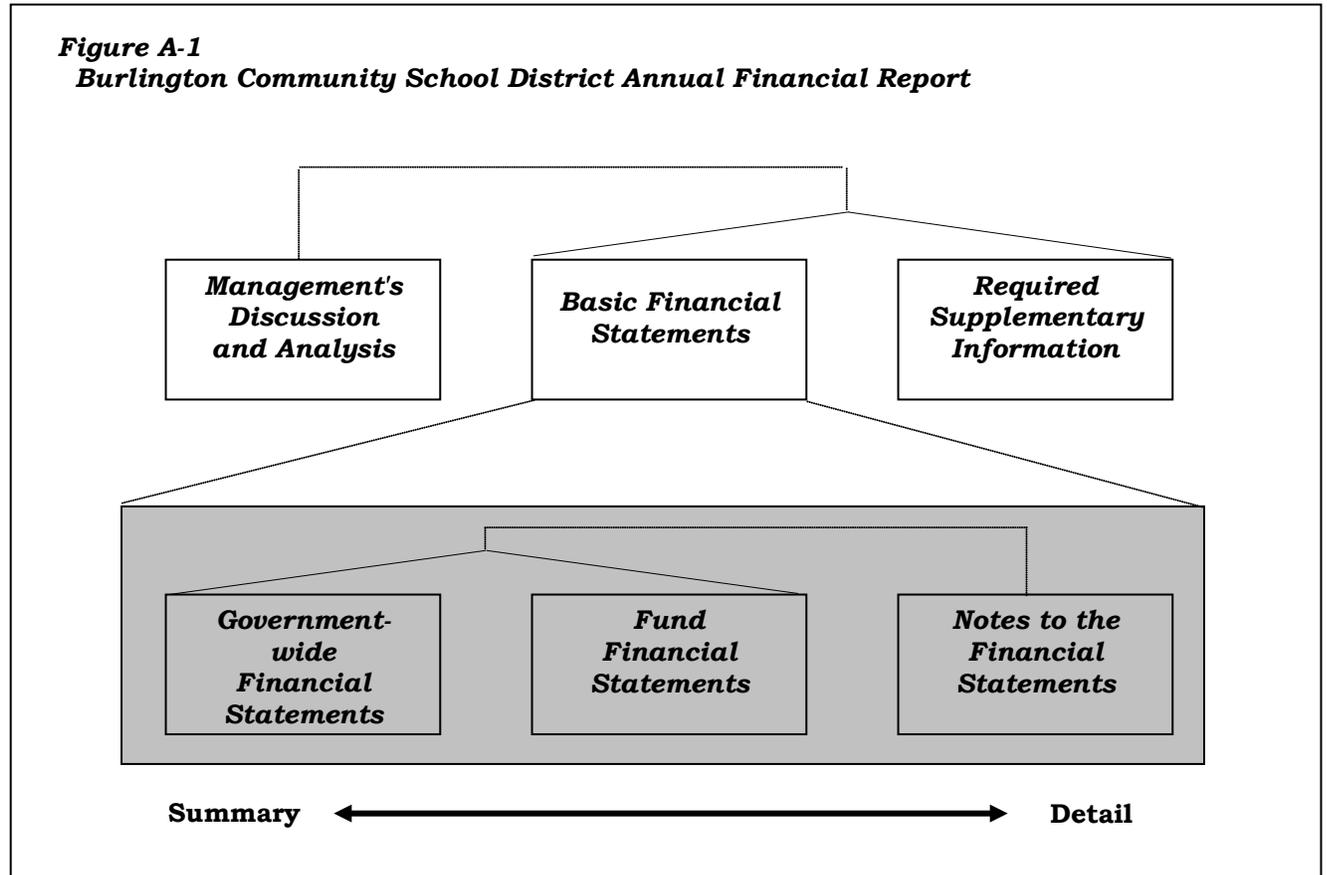


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain

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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • 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 goods or services have been received and the related liability is due during the year or soon thereafter	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
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
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 goods or services have been received and the related liability is due during the year or soon thereafter	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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's Net Position and how it has changed. Net Position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's Net Position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District also utilizes an Internal Service Fund, another kind of proprietary fund, to report activities associated with the District's employee flexible benefit plan.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private Purpose Trust.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that 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 required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June, 30		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Current and other assets	\$ 42,727,153	39,175,643	801,140	700,474	43,528,293	39,876,117	9.16%
Capital assets	77,933,118	78,522,348	122,124	136,514	78,055,242	78,658,862	-0.77%
Total assets	120,660,271	117,697,991	923,264	836,988	121,583,535	118,534,979	2.57%
Deferred outflows of resources	3,461,120	-	89,313	-	3,550,433	-	100.00%
Long-term liabilities	45,096,171	31,906,412	416,614	5,444	45,512,785	31,911,856	42.62%
Other liabilities	8,067,933	7,339,793	70,158	58,252	8,138,091	7,398,045	10.00%
Total liabilities	53,164,104	39,246,205	486,772	63,696	53,650,876	39,309,901	36.48%
Deferred inflows of resources	19,477,483	13,703,961	156,764	-	19,634,247	13,703,961	43.27%
Net position:							
Net investment in capital assets	48,618,118	47,512,348	122,124	136,514	48,740,242	47,648,862	2.29%
Restricted	10,517,386	8,173,230	-	-	10,517,386	8,173,230	28.68%
Unrestricted	(7,655,700)	9,062,247	246,917	636,778	(7,408,783)	9,699,025	-176.39%
Total net position	\$ 51,479,804	64,747,825	369,041	773,292	51,848,845	65,521,117	-20.87%

The District's combined net position decreased by 20.87%, or \$13,672,272, 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 resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$2,344,156 or 28.68% from the prior year. The increase in restricted net position is due primarily to the increase in net position restricted for management levy purposes.

Unrestricted net position - 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 - decreased \$17,107,808 or 176.39%. This decrease in unrestricted net position was primarily the result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$19,397,211 and \$507,572, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to June 30, 2014.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 1,220,381	1,455,433	410,836	363,356	1,631,217	1,818,789	-10.31%
Operating grants, contributions and restricted interest	6,884,176	5,850,521	1,512,490	1,554,023	8,396,666	7,404,544	13.40%
Capital grants, contributions and restricted interest	501,916	625,111	-	-	501,916	625,111	-19.71%
General revenues:							
Property tax	13,728,463	13,247,611	-	-	13,728,463	13,247,611	3.63%
Statewide sales, services and use tax	4,403,784	4,046,449	-	-	4,403,784	4,046,449	8.83%
Unrestricted state grants	31,455,619	28,937,471	-	-	31,455,619	28,937,471	8.70%
Unrestricted interest income	7,619	3,047	32	27	7,651	3,074	148.89%
Other	593,730	129,645	1,038	51,897	594,768	181,542	227.62%
Total revenues	58,795,688	54,295,288	1,924,396	1,969,303	60,720,084	56,264,591	7.92%
Program expenses:							
Instruction	32,924,201	33,771,673	-	-	32,924,201	33,771,673	-2.51%
Support services	14,525,445	14,128,890	58,475	59,076	14,583,920	14,187,966	2.79%
Non-instructional programs	48,162	43,422	1,762,600	1,833,374	1,810,762	1,876,796	-3.52%
Other expenses	5,272,690	4,931,706	-	-	5,272,690	4,931,706	6.91%
Total expenses	52,770,498	52,875,691	1,821,075	1,892,450	54,591,573	54,768,141	-0.32%
Change in net position before special item	6,025,190	1,419,597	103,321	76,853	6,128,511	1,496,450	309.54%
Special item: Gain on sale of real property(Note 16)	104,000	-	-	-	104,000	-	100.00%
Change in net position	6,129,190	1,419,597	103,321	76,853	6,232,511	1,496,450	316.49%
Net position beginning of year, as restated	45,350,614	63,328,228	265,720	696,439	45,616,334	64,024,667	-28.75%
Net position end of year	\$ 51,479,804	64,747,825	369,041	773,292	51,848,845	65,521,117	-20.87%

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 84.34% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.94% of the revenue from business type activities. The District's total revenues were approximately \$60.72 million, of which approximately \$58.80 million was for governmental activities and approximately \$1.92 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.92% increase in revenues and a 0.32% decrease in expenses. The primary reason for this increase in revenues was an increase in unrestricted state grant revenues by \$2,518,148 over the prior year. The decrease in expenses is related to the decrease expenses in the instruction functional area.

Governmental Activities

Revenues for governmental activities were \$58,795,688 and expenses were \$52,770,498 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 32,924,201	33,771,673	-2.51%	26,900,553	28,471,330	-5.52%
Support services	14,525,445	14,128,890	2.81%	13,952,163	13,407,322	4.06%
Non-instructional programs	48,162	43,422	10.92%	48,162	43,422	10.92%
Other expenses	5,272,690	4,931,706	6.91%	3,263,147	3,022,552	7.96%
Totals	\$ 52,770,498	52,875,691	-0.20%	44,164,025	44,944,626	-1.74%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,220,381.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$7,386,092.
- The net cost of governmental activities was financed with \$13,728,463 in property tax, \$4,403,784 in statewide sales, services and use tax, \$31,455,619 in unrestricted state grants, \$7,619 in interest income, and \$593,730 in other general revenues

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$1,924,396, a 2.28% decrease from the prior year, and expenses were \$1,821,075, a 3.77% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment and other income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$19,142,951, well above than last year's ending fund balances of \$15,337,247. The decrease in combined fund balances is mainly attributable to the increase in fund balance of the General Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$7,550,911 at June 30, 2014 to \$10,175,514 at June 30, 2015. Revenues increased from the prior year primarily due to increased revenues from state sources; expenses for the year increased due to an increase in negotiated salaries and benefits. Revenues exceeded expenses for the year resulting in an increase in fund balance.
- The Capital Projects accounts balance increased from \$3,169,795 at June 30, 2014 to \$3,797,454 at June 30, 2015. The increase in Capital Projects accounts balance is primarily due to an increase in revenues from state sources and donations from local organizations.
- The Debt Service Fund increased from \$3,434,892 at June 30, 2014 to \$3,435,285 at June 30, 2015. The Debt Service Fund is used to record payments on the District's long term debt.

Proprietary Fund Highlights

The School Nutrition Fund improved from a restated net position of \$265,720 at July 1, 2014 to \$369,041 at June 30, 2015, representing an increase of 38.88%. Despite the District's net pension liability net pension expense recorded during the year, net position increased due to a reduction of other expenses associated with the food service operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, Burlington Community School District amended its budget one time to reflect additional expenditures.

The District's revenues were \$3,491,304 more than budgeted revenues, a variance of 6.10%. The most significant dollar variance resulted from the District receiving more from state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$78.06 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.77% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$2,968,144.

The original cost of the District's capital assets was approximately \$114.14 million. Governmental funds accounted for approximately \$113.49 million with the remainder of approximately \$0.65 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,735,910 at June 30, 2015, compared to \$189,155 at June 30, 2014. This increase resulted from continued costs incurred on construction projects around the District. The projects will be capitalized as part of the District's capital asset listing upon completion.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 2,961,227	2,961,227	-	-	2,961,227	2,961,227	0.00%
Construction in progress	1,735,910	189,155	-	-	1,735,910	189,155	817.72%
Buildings	69,379,804	71,212,869	-	-	69,379,804	71,212,869	-2.57%
Land improvements	267,751	259,002			267,751	259,002	3.38%
Machinery and equipment	3,588,426	3,900,095	122,124	136,514	3,710,550	4,036,609	-8.08%
Total	\$ 77,933,118	78,522,348	122,124	136,514	78,055,242	78,658,862	-0.77%

Long-Term Debt

At June 30, 2015, the District had \$45,512,786 of total long-term debt outstanding. This represents an increase of 42.62% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding revenue bonds of \$29,315,000 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding compensated absences payable from the General Fund of \$72,499 and \$5,562 payable from the School Nutrition Fund at June 30, 2015.

The District had outstanding net pension liability at June 30, 2015 of \$16,119,725. Governmental activities accounted for \$15,708,672 of this total while business type activities accounted for \$411,053.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenue Bonds	\$ 29,315,000	31,010,000	-	-	29,315,000	31,010,000	-5.47%
Compensated Absences	72,499	106,679	5,562	5,444	78,061	112,123	-30.38%
Termination benefits	-	789,733	-	-	-	789,733	-100.00%
Net pension liability	15,708,672	-	411,053	-	16,119,725	-	100.00%
Totals	\$ 45,096,171	31,906,412	416,615	5,444	45,512,786	31,911,856	42.62%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State of Iowa has set the supplemental state aid for fiscal year 2016 at 1.25%, but has not set the supplemental state aid for fiscal year 2017 and beyond. The District's inability to predict future revenues will continue to have a significant impact on future budget decisions.
- The Iowa school funding formula is highly dependent upon student enrollment. Current and projected declines in enrollment will continue to negatively impact the District's revenues while costs are expected to increase.
- The state of the national economy has historically influenced the State's economy. While it appears that the economy has improved at both national and state levels, future funding to schools in Iowa will continue to be directly affected.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial 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, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 25,128,668	740,655	25,869,323
Receivables:			
Property tax:			
Delinquent	167,528	-	167,528
Succeeding year	13,486,648	-	13,486,648
Accounts	7,774	-	7,774
Accrued interest	99	-	99
Due from other funds	-	867	867
Due from other governments	2,056,345	10,327	2,066,672
Prepaid expenses	6,750	-	6,750
Inventories	-	30,368	30,368
Net OPEB asset	1,873,341	18,923	1,892,264
Capital assets, net of accumulated depreciation	77,933,118	122,124	78,055,242
TOTAL ASSETS	120,660,271	923,264	121,583,535
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	3,461,120	89,313	3,550,433
LIABILITIES			
Accounts payable	3,156,759	2,186	3,158,945
Retainage payable	15,163	-	15,163
Salaries and benefits payable	4,876,424	54,518	4,930,942
Advances from grantors	18,720	-	18,720
Due to other funds	867	-	867
Unearned revenue	-	13,454	13,454
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	1,730,000	-	1,730,000
Compensated absences payable	72,499	5,561	78,060
Portion due after one year:			
Revenue bonds payable	27,585,000	-	27,585,000
Net pension liability	15,708,672	411,053	16,119,725
TOTAL LIABILITIES	53,164,104	486,772	53,650,876
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	13,486,648	-	13,486,648
Pension related deferred inflows	5,990,835	156,764	6,147,599
TOTAL DEFERRED INFLOWS OF RESOURCES	19,477,483	156,764	19,634,247
NET POSITION			
Net investment in capital assets	48,618,118	122,124	48,740,242
Restricted for:			
Categorical funding	1,549,949	-	1,549,949
Debt service	3,435,285	-	3,435,285
Management levy purposes	779,324	-	779,324
Student activities	422,135	-	422,135
Support trust purposes	533,239	-	533,239
School infrastructure	3,213,701	-	3,213,701
Physical plant and equipment	583,753	-	583,753
Unrestricted	(7,655,700)	246,917	(7,408,783)
TOTAL NET POSITION	\$ 51,479,804	369,041	51,848,845

SEE NOTES TO FINANCIAL STATEMENTS.

**BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 20,736,509	519,054	995,798	-	(19,221,657)	-	(19,221,657)
Special	8,149,854	352,667	1,440,797	-	(6,356,390)	-	(6,356,390)
Other	4,037,838	340,134	2,375,198	-	(1,322,506)	-	(1,322,506)
	<u>32,924,201</u>	<u>1,211,855</u>	<u>4,811,793</u>	<u>-</u>	<u>(26,900,553)</u>	<u>-</u>	<u>(26,900,553)</u>
Support services:							
Student	2,001,187	-	-	-	(2,001,187)	-	(2,001,187)
Instructional staff	2,397,789	-	20,535	-	(2,377,254)	-	(2,377,254)
Administration	4,915,101	-	-	-	(4,915,101)	-	(4,915,101)
Operation and maintenance of plant	3,876,720	-	-	501,916	(3,374,804)	-	(3,374,804)
Transportation	1,334,648	8,526	42,305	-	(1,283,817)	-	(1,283,817)
	<u>14,525,445</u>	<u>8,526</u>	<u>62,840</u>	<u>501,916</u>	<u>(13,952,163)</u>	<u>-</u>	<u>(13,952,163)</u>
Non-instructional programs:							
Food service operations	8,741	-	-	-	(8,741)	-	(8,741)
Community service operations	39,421	-	-	-	(39,421)	-	(39,421)
	<u>48,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,162)</u>	<u>-</u>	<u>(48,162)</u>
Long-term debt interest	1,166,453	-	-	-	(1,166,453)	-	(1,166,453)
Other expenses:							
AEA flowthrough	2,009,543	-	2,009,543	-	-	-	-
Depreciation(unallocated)*	2,096,694	-	-	-	(2,096,694)	-	(2,096,694)
	<u>4,106,237</u>	<u>-</u>	<u>2,009,543</u>	<u>-</u>	<u>(2,096,694)</u>	<u>-</u>	<u>(2,096,694)</u>
Total governmental activities	<u>52,770,498</u>	<u>1,220,381</u>	<u>6,884,176</u>	<u>501,916</u>	<u>(44,164,025)</u>	<u>-</u>	<u>(44,164,025)</u>
Business type activities:							
Support services:							
Administration	58,455	-	-	-	-	(58,455)	(58,455)
Operation and maintenance of plant	20	-	-	-	-	(20)	(20)
	<u>58,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,475)</u>	<u>(58,475)</u>
Non-instructional programs:							
Food service operations	1,762,600	410,836	1,512,490	-	-	160,726	160,726
Total business type activities	<u>1,821,075</u>	<u>410,836</u>	<u>1,512,490</u>	<u>-</u>	<u>-</u>	<u>102,251</u>	<u>102,251</u>
Total	<u>\$ 54,591,573</u>	<u>1,631,217</u>	<u>8,396,666</u>	<u>501,916</u>	<u>(44,164,025)</u>	<u>102,251</u>	<u>(44,061,774)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$	12,774,335	-	12,774,335
Capital outlay					954,128	-	954,128
Statewide sales, services and use tax					4,403,784	-	4,403,784
Unrestricted state grants					31,455,619	-	31,455,619
Unrestricted investment earnings					7,619	32	7,651
Other					593,730	1,038	594,768
Total general revenues					<u>50,189,215</u>	<u>1,070</u>	<u>50,190,285</u>
Change in net position before special item					6,025,190	103,321	6,128,511
Special item: Gain on sale of real property(Note 16)					104,000	-	104,000
Change in net position					6,129,190	103,321	6,232,511
Net position beginning of year, as restated					45,350,614	265,720	45,616,334
Net position end of year					<u>\$ 51,479,804</u>	<u>369,041</u>	<u>51,848,845</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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 15,025,561	3,311,165	4,858,511	1,736,061	24,931,298
Receivables:					
Property tax					
Delinquent	143,579	11,166	-	12,783	167,528
Succeeding year	11,623,365	921,517	-	941,766	13,486,648
Accounts	7,774	-	-	-	7,774
Accrued interest	33	66	-	-	99
Due from other governments	1,374,344	682,001	-	-	2,056,345
Prepaid expenses	6,750	-	-	-	6,750
Due from other funds	1,000	-	-	-	1,000
TOTAL ASSETS	\$ 28,182,406	4,925,915	4,858,511	2,690,610	40,657,442
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,487,516	190,781	1,423,226	14,146	3,115,669
Retainage payable	-	15,163	-	-	15,163
Salaries and benefits payable	4,876,424	-	-	-	4,876,424
Advances from grantors	18,720	-	-	-	18,720
Due to other funds	867	1,000	-	-	1,867
Total liabilities	6,383,527	206,944	1,423,226	14,146	8,027,843
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	11,623,365	921,517	-	941,766	13,486,648
Fund balances:					
Nonspendable	6,750	-	-	-	6,750
Restricted for:					
Categorical funding	1,549,949	-	-	-	1,549,949
Debt service	-	-	3,435,285	-	3,435,285
Management levy purposes	-	-	-	779,324	779,324
Student activities	-	-	-	422,135	422,135
Support trust purposes	-	-	-	533,239	533,239
School infrastructure	-	3,213,701	-	-	3,213,701
Physical plant and equipment	-	583,753	-	-	583,753
Assigned for special purposes	109,471	-	-	-	109,471
Unassigned	8,509,344	-	-	-	8,509,344
Total fund balances	10,175,514	3,797,454	3,435,285	1,734,698	19,142,951
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 28,182,406	4,925,915	4,858,511	2,690,610	40,657,442

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds(page 20)	\$	19,142,951
 <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 the governmental funds.		77,933,118
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		156,280
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		1,873,341
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 3,461,120	
Deferred inflows of resources	<u>(5,990,835)</u>	(2,529,715)
Long-term liabilities, including revenue bonds payable, net pension liability and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(45,096,171)</u>
Net position of governmental activities(page 18)	\$	<u>51,479,804</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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 11,737,329	954,128	-	1,037,006	13,728,463
Tuition	773,989	-	-	-	773,989
Other	766,551	503,981	393	865,171	2,136,096
State sources	34,192,629	4,420,672	-	19,988	38,633,289
Federal sources	3,523,851	-	-	-	3,523,851
Total revenues	50,994,349	5,878,781	393	1,922,165	58,795,688
Expenditures:					
Current:					
Instruction:					
Regular	20,700,006	-	-	565,839	21,265,845
Special	8,374,707	-	-	-	8,374,707
Other	3,712,296	-	-	361,078	4,073,374
	32,787,009	-	-	926,917	33,713,926
Support services:					
Student	2,022,654	-	-	13,565	2,036,219
Instructional staff	1,928,438	350,000	-	5,500	2,283,938
Administration	4,877,000	-	-	135,281	5,012,281
Operation and maintenance of plant	3,546,094	139,386	-	199,488	3,884,968
Transportation	1,189,821	189,671	-	71,724	1,451,216
	13,564,007	679,057	-	425,558	14,668,622
Non-instructional programs:					
Food service operations	-	-	-	16,641	16,641
Community service operations	39,421	-	-	-	39,421
	39,421	-	-	16,641	56,062
Capital outlay	-	1,814,612	-	-	1,814,612
Long-term debt:					
Principal	-	-	1,695,000	-	1,695,000
Interest and fiscal charges	-	-	1,166,453	-	1,166,453
	-	-	2,861,453	-	2,861,453
Other expenditures:					
AEA flowthrough	2,009,543	-	-	-	2,009,543
Total expenditures	48,399,980	2,493,669	2,861,453	1,369,116	55,124,218
Excess(deficiency)of revenues over(under) expenditures	2,594,369	3,385,112	(2,861,060)	553,049	3,671,470
Other financing sources(uses):					
Transfer in	-	-	2,861,453	-	2,861,453
Transfer out	-	(2,861,453)	-	-	(2,861,453)
Compensation for loss of capital assets	7,225	-	-	-	7,225
Sale of equipment	23,009	-	-	-	23,009
Total other financing sources(uses)	30,234	(2,861,453)	2,861,453	-	30,234
Change in fund balances before special item	2,624,603	523,659	393	553,049	3,701,704
Proceeds from sale of real property(Note 16)	-	104,000	-	-	104,000
Change in fund balances	2,624,603	627,659	393	553,049	3,805,704
Fund balances beginning of year	7,550,911	3,169,795	3,434,892	1,181,649	15,337,247
Fund balances end of year	\$ 10,175,514	3,797,454	3,435,285	1,734,698	19,142,951

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, 2015

Change in fund balances - total governmental funds (page 22)		\$ 3,805,704
<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, depreciation expense and loss on disposal in the current year are as follows:		
Expenditures for capital assets	\$ 2,372,826	
Depreciation expense	(2,948,009)	
Loss on disposal of capital assets	<u>(14,047)</u>	(589,230)
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.		1,695,000
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		2,384,305
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	\$ 789,733	
Compensated absences	34,180	
Pension expense	(1,225,481)	
Other postemployment benefits	<u>(148,884)</u>	(550,452)
Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.		<u>(616,137)</u>
Change in net position of governmental activities (page 19)		<u>\$ 6,129,190</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 740,655	197,370
Due from other governments	10,327	-
Due from other funds	867	-
Inventories	30,368	-
Total current assets	782,217	197,370
Noncurrent assets:		
Net OPEB asset	18,923	-
Capital assets, net of accumulated depreciation	122,124	-
Total noncurrent assets	141,047	-
TOTAL ASSETS	923,264	197,370
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	89,313	-
LIABILITIES		
Current liabilities:		
Accounts payable	2,186	41,090
Salaries and benefits payable	54,518	-
Unearned revenue	13,454	-
Total current liabilities	70,158	41,090
Long-term liabilities:		
Compensated absences	5,561	-
Net pension liability	411,053	-
Total long-term liabilities	416,614	-
TOTAL LIABILITIES	486,772	41,090
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	156,764	-
NET POSITION		
Net investment in capital assets	122,124	-
Unrestricted	246,917	156,280
TOTAL NET POSITION	\$ 369,041	156,280

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, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 410,836	-
Miscellaneous	1,038	7,028,959
Total operating revenues	<u>411,874</u>	<u>7,028,959</u>
Operating expenses:		
Support services:		
Administration:		
Salaries	38,002	-
Benefits	12,560	-
Services	7,606	-
Supplies	287	-
	<u>58,455</u>	<u>-</u>
Operation and maintenance of plant:		
Services	20	-
Total support services	<u>58,475</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	673,464	-
Benefits	137,297	-
Supplies	931,654	-
Depreciation	20,135	-
Other	50	-
	<u>1,762,600</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	7,645,096
Total non-instructional programs	<u>1,762,600</u>	<u>7,645,096</u>
Total operating expenses	<u>1,821,075</u>	<u>7,645,096</u>
Operating loss	<u>(1,409,201)</u>	<u>(616,137)</u>
Non-operating revenues:		
State sources	15,511	-
Federal sources	1,496,979	-
Interest income	32	-
Total non-operating revenues	<u>1,512,522</u>	<u>-</u>
Change in net position	103,321	(616,137)
Net position beginning of year, as restated	<u>265,720</u>	<u>772,417</u>
Net position end of year	<u>\$ 369,041</u>	<u>156,280</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	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	\$ 409,372	-
Cash received from miscellaneous operating activities	1,038	7,028,959
Cash payments to employees for services	(875,146)	-
Cash payments to suppliers for goods or services	(793,956)	(7,604,006)
Net cash used in operating activities	<u>(1,258,692)</u>	<u>(575,047)</u>
Cash flows from non-capital financing activities:		
Interfund borrowings	(867)	-
State grants received	15,511	-
Federal grants received	1,342,003	-
Net cash provided by non-capital financing activities	<u>1,356,647</u>	<u>-</u>
Cash flows from capital activities:		
Acquisition of capital assets	(5,745)	-
Cash flows from investing activities:		
Interest on investments	32	-
Net increase(decrease) in cash and pooled investments	92,242	(575,047)
Cash and pooled investments beginning of year	<u>648,413</u>	<u>772,417</u>
Cash and pooled investments end of year	<u>\$ 740,655</u>	<u>197,370</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,409,201)	(616,137)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	144,649	-
Depreciation	20,135	-
Increase in inventories	(799)	-
Increase in accounts payable	1,811	41,090
Increase in salaries and benefits payable	11,559	-
Decrease in deferred revenue	(1,464)	-
Increase in compensated absences	117	-
Increase in other postemployment benefits	3,569	-
Decrease in net pension liability	(157,084)	-
Increase in deferred outflows of resources	(28,748)	-
Increase in deferred inflows of resources	156,764	-
Net cash used in operating activities	<u>\$ (1,258,692)</u>	<u>(575,047)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$144,649.

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 87,934
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 87,934</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 3,727
Interest income	225
TOTAL ADDITIONS	<u>3,952</u>
DEDUCTIONS:	
Instruction:	
Regular	<u>3,279</u>
Change in net position	673
Net position beginning of year	<u>87,261</u>
Net position end of year	<u>\$ 87,934</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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 investments in the Iowa Schools Joint Investment Trust and The Education Liquidity Fund which are 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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	500
Other machinery and equipment	300

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

Prepaid Expenses - Representing deposits on the District's flex spending program.

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, 2015. 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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

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

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

Unassigned - All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Governmental Obligation Portfolio and The Education Liquidity Fund. These investments are valued at an amortized cost of \$18,406,721 and \$1,500,961 respectively, 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. The investments in The Education Liquidity Fund are registered and not subject to rating.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 2,861,453

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 bonded indebtedness.

Note 4. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,000
Enterprise: School Nutrition	General Fund	867
Total		\$ 1,867

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the General Fund for revenues incorrectly recorded in the prior year.

The General Fund is repaying the Enterprise: School Nutrition Fund for revenues incorrectly recorded in the prior year.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,961,227	-	-	2,961,227
Construction in progress	189,155	1,546,755	-	1,735,910
Total capital assets not being depreciated	<u>3,150,382</u>	<u>1,546,755</u>	<u>-</u>	<u>4,697,137</u>
Capital assets being depreciated:				
Buildings	89,293,186	212,874	87,587	89,418,473
Land improvements	921,265	57,697	-	978,962
Machinery and equipment	18,023,351	555,500	181,184	18,397,667
Total capital assets being depreciated	<u>108,237,802</u>	<u>826,071</u>	<u>268,771</u>	<u>108,795,102</u>
Less accumulated depreciation for:				
Buildings	18,080,317	2,045,939	87,587	20,038,669
Land improvements	662,263	48,948	-	711,211
Machinery and equipment	14,123,256	853,122	167,137	14,809,241
Total accumulated depreciation	<u>32,865,836</u>	<u>2,948,009</u>	<u>254,724</u>	<u>35,559,121</u>
Total capital assets being depreciated, net	<u>75,371,966</u>	<u>(2,121,938)</u>	<u>14,047</u>	<u>73,235,981</u>
Governmental activities capital assets, net	<u>\$ 78,522,348</u>	<u>(575,183)</u>	<u>14,047</u>	<u>77,933,118</u>
Business type activities:				
Machinery and equipment	\$ 640,424	5,745	-	646,169
Less accumulated depreciation	503,910	20,135	-	524,045
Business type activities capital assets, net	<u>\$ 136,514</u>	<u>(14,390)</u>	<u>-</u>	<u>122,124</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 406,527
Support services:	
Administration	113,638
Operation and maintenance of plant	97,068
Transportation	234,082
	<u>851,315</u>
Unallocated depreciation	2,096,694
Total governmental activities depreciation expense	<u>\$ 2,948,009</u>
Business type activities:	
Food service operations	<u>\$ 20,135</u>

Note 6. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year (as restated)	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 31,010,000	-	1,695,000	29,315,000	1,730,000
Termination benefits*	789,733	-	789,733	-	-
Net pension liability	21,711,744	-	6,003,072	15,708,672	-
Compensated absences	106,679	72,499	106,679	72,499	72,499
Total	<u>\$ 53,618,156</u>	<u>72,499</u>	<u>8,594,484</u>	<u>45,096,171</u>	<u>1,802,499</u>
Business type activities:					
Compensated absences	\$ 5,444	5,562	5,444	5,562	5,562
Net pension liability	568,137	-	157,084	411,053	-
Total	<u>\$ 573,581</u>	<u>5,562</u>	<u>162,528</u>	<u>416,615</u>	<u>5,562</u>

*Termination benefits are now included as an explicit subsidy in the most recent OPEB actuarial valuation dated July 1, 2014.

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of March 1, 2009 Series A			Bond issue of March 1, 2009 Series B		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
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	1.63	-	282,296	1.63	-	251,848
2021-2025	2.00-2.38	4,205,000	978,071	2.00-2.38	4,160,000	907,435
2026-2029	2.38-2.50	1,670,000	73,938	2.38	1,035,000	51,750
Total		<u>\$ 5,875,000</u>	<u>2,463,489</u>		<u>\$ 5,195,000</u>	<u>2,218,423</u>

Year Ending June 30,	Bond issue of December 1, 2009 Series C			Bond issue of December 12, 2012 Partial Advance Refunding 2009 Series A & B			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2015	3.50%	\$ 1,520,000	340,080	2.000%	\$ 210,000	229,791	1,730,000	1,104,015	2,834,015
2016	4.00	1,550,000	284,593	2.000	210,000	225,591	1,760,000	1,044,327	2,804,327
2017	4.00	1,595,000	222,192	2.000	220,000	221,341	1,815,000	977,677	2,792,677
2018	4.00	1,635,000	157,993	1.375	225,000	217,285	1,860,000	909,421	2,769,421
2019	4.10	1,680,000	91,672	1.625	230,000	214,013	1,910,000	839,829	2,749,829
2020-2024	4.25-4.50	925,000	55,269	2.00-2.38	1,310,000	997,746	10,600,000	2,938,521	13,538,521
2025-2029	-	-	-	2.38-3.00	6,935,000	498,276	9,640,000	623,964	10,263,964
Total		<u>\$ 8,905,000</u>	<u>1,151,799</u>		<u>\$ 9,340,000</u>	<u>2,604,043</u>	<u>29,315,000</u>	<u>8,437,754</u>	<u>37,752,754</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 64% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$37,752,754. For the current year \$1,695,000 in principal and \$1,166,453 in interest was paid on the bonds and total statewide sales and services tax revenues were \$4,403,784.

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.

Note 7. 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, 2015, \$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 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 8. 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 565 active and 60 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. The District offers a voluntary early retirement program which provides individual accounts to qualifying retirees and their dependents for eligible medical expenses, which results in an explicit subsidy which is included in the 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	309,428
Interest on net OPEB obligation		(40,894)
Adjustment to annual required contribution		193,347
Annual OPEB cost		<u>461,881</u>
Contributions made		<u>(309,428)</u>
Increase in net OPEB obligation		152,453
Net OPEB obligation beginning of year		<u>(2,044,717)</u>
Net OPEB obligation end of year	\$	<u><u>(1,892,264)</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, 2015.

For the year ended June 30, 2015, the District contributed \$309,428 to the medical plan. Plan members eligible for benefits contributed \$441,114, or 58.77% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 202,307	328.02%	\$ (1,675,502)
2014	213,477	272.95	(2,044,717)
2015	461,881	66.99	(1,892,264)

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,894,269 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,894,269.

The covered payroll (annual payroll of active employees covered by the plan) was approximately \$22,470,904 and the ratio of the UAAL to covered payroll was 8.43%. As of June 30, 2015, 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, presents 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, 2014 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 4% ultimate trend rate.

Mortality rates are from the RP 2014 Total Dataset Mortality Table fully generational using scale MP-2014. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$639 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 9. Pension and Retirement Benefits

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$2,445,441.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$16,119,725 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.398305 percent, which was an increase of 0.004806 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,257,549. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 175,190	\$ -
Changes of assumptions	711,400	-
Net difference between projected and actual earnings on pension plan investments	-	6,147,599
Changes in proportion and differences between District contributions and proportionate share of contributions	218,402	-
District contributions subsequent to the measurement date	2,445,441	-
Total	\$ 3,550,433	\$ 6,147,599

\$2,445,441 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (1,278,724)
2017	(1,278,724)
2018	(1,278,724)
2019	(1,278,724)
2020	72,289
	<u>\$ (5,042,607)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 30,457,767	\$ 16,119,725	\$ 4,016,932

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$313,196 for legally required employer contributions and \$208,680 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 10. 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 11. 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 \$2,009,543 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Construction Commitments

The District has entered into various contracts totaling \$2,147,407 for various construction projects around the District. As of June 30, 2015, costs of \$1,735,910 had been incurred against the contracts. The balance remaining at June 30, 2015 will be paid as work on the projects progresses.

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 64,747,825	\$ 773,292
Net pension liability at June 30, 2014	(21,711,744)	(568,137)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	2,314,533	60,565
Net position July 1, 2014, as restated	<u>\$ 45,350,614</u>	<u>\$ 265,720</u>

Note 14. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 191,106
Weighted at-risk programs	119,573
Gifted and talented programs	131,955
Beginning teacher mentoring and induction	3,867
Beginning administrator mentoring and induction program	1,460
Four-year-old preschool state aid	432,693
Successful progression for early readers	13,104
Professional development for model core curriculum	292,648
Professional development	57,327
Market factor incentives	1,043
Teacher leadership grants	305,173
Total	<u>\$ 1,549,949</u>

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:

	<u>Invested in Capital Assets</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	8,509,344
Invested in capital assets, net of accumulated depreciation	77,933,118	-
Revenue bond capitalized indebtedness	(29,315,000)	-
Nonspendable fund balance	-	6,750
Assigned fund balance	-	109,471
Internal service fund	-	156,280
Compensated absences	-	(72,499)
Net OPEB asset	-	1,873,341
Pension related deferred outflows	-	3,461,120
Net pension liability	-	(15,708,672)
Pension related deferred inflows	-	(5,990,835)
Net position (Exhibit A)	<u>\$ 48,618,118</u>	<u>(7,655,700)</u>

Note 16. Sale of Real Property

During the year ended June 30, 2015, the District received payment from Crossroads Community Church of Burlington of \$104,000 for the purchase of the Washington Elementary Building. The building was valued at \$0 net of accumulated depreciation, resulting in a gain of \$104,000 to the 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, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 16,638,548	411,906	17,050,454	15,921,639	15,921,639	1,128,815
State sources	38,633,289	15,511	38,648,800	36,914,141	36,914,141	1,734,659
Federal sources	3,523,851	1,496,979	5,020,830	4,393,000	4,393,000	627,830
Total revenues	58,795,688	1,924,396	60,720,084	57,228,780	57,228,780	3,491,304
Expenditures/Expenses:						
Instruction	33,713,926	-	33,713,926	34,973,278	34,973,278	1,259,352
Support services	14,668,622	58,475	14,727,097	13,786,577	15,786,576	1,059,479
Non-instructional programs	56,062	1,762,600	1,818,662	2,164,721	2,414,721	596,059
Other expenditures	6,685,608	-	6,685,608	6,247,571	7,497,571	811,963
Total expenditures/expenses	55,124,218	1,821,075	56,945,293	57,172,147	60,672,146	3,726,853
Excess(deficiency) of revenues over(under) expenditures/expenses	3,671,470	103,321	3,774,791	56,633	(3,443,366)	7,218,157
Other financing sources, net	134,234	-	134,234	10,000	10,000	124,234
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	3,805,704	103,321	3,909,025	66,633	(3,433,366)	7,342,391
Balance beginning of year, as restated	15,337,247	265,720	15,602,967	15,724,876	15,724,876	(121,909)
Balance end of year	\$ 19,142,951	369,041	19,511,992	15,791,509	12,291,510	7,220,482

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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 \$3,499,999.

BURLINGTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.398305%
District's proportionate share of the net pension liability	\$ 16,120
District's covered-employee payroll	\$ 27,385
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.86%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: Only the current year fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 2,445	2,376	2,207	1,932	1,664	1,630	1,535	1,388	1,248	1,180
Contributions in relation to the statutorily required contribution	<u>(2,445)</u>	<u>(2,376)</u>	<u>(2,207)</u>	<u>(1,932)</u>	<u>(1,664)</u>	<u>(1,630)</u>	<u>(1,535)</u>	<u>(1,388)</u>	<u>(1,248)</u>	<u>(1,180)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 27,385	26,607	25,456	23,941	23,942	23,453	24,173	22,942	21,704	20,522
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTEDS TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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
2015	July 1, 2014	-	1,894,269	1,894,269	0.00	22,470,904	8.43

See Note 8 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.

Burlington Community School District

Supplementary Information

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue			
	Management Levy	Student Activity	Support Trust	Total
ASSETS				
Cash and pooled investments	\$ 769,143	433,559	533,359	1,736,061
Receivables:				
Property tax				
Delinquent	12,783	-	-	12,783
Succeeding year	941,766	-	-	941,766
TOTAL ASSETS	\$ 1,723,692	433,559	533,359	2,690,610
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,602	11,424	120	14,146
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	941,766	-	-	941,766
Fund balances:				
Restricted for:				
Management levy purposes	779,324	-	-	779,324
Student activities	-	422,135	-	422,135
Support trust purposes	-	-	533,239	533,239
Total fund balances	779,324	422,135	533,239	1,734,698
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,723,692	433,559	533,359	2,690,610

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue			
	Manage- ment Levy	Student Activity	Support Trust	Total
Revenues:				
Local sources:				
Local tax	\$ 1,037,006	-	-	1,037,006
Other	23,594	436,903	404,674	865,171
State sources	19,988	-	-	19,988
Total revenues	1,080,588	436,903	404,674	1,922,165
Expenditures:				
Current:				
Instruction:				
Regular	542,423	-	23,416	565,839
Other	-	361,078	-	361,078
Support services:				
Student	13,565	-	-	13,565
Instructional staff	5,500	-	-	5,500
Administration	135,281	-	-	135,281
Operation and maintenance of plant	199,488	-	-	199,488
Transportation	71,724	-	-	71,724
Non-instructional programs:				
Food service operations	16,641	-	-	16,641
Total expenditures	984,622	361,078	23,416	1,369,116
Change in fund balances	95,966	75,825	381,258	553,049
Fund balances beginning of year	683,358	346,310	151,981	1,181,649
Fund balances end of year	\$ 779,324	422,135	533,239	1,734,698

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
ASSETS			
Cash and pooled investments	\$ 2,681,303	629,862	3,311,165
Receivables:			
Property tax:			
Delinquent	-	11,166	11,166
Succeeding year	-	921,517	921,517
Accrued interest	66	-	66
Due from other governments	682,001	-	682,001
TOTAL ASSETS	\$ 3,363,370	1,562,545	4,925,915
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 133,506	57,275	190,781
Retainage payable	15,163	-	15,163
Due to other funds	1,000	-	1,000
Total liabilities	149,669	57,275	206,944
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	921,517	921,517
Fund balances:			
Restricted for:			
School infrastructure	3,213,701	-	3,213,701
Physical plant and equipment	-	583,753	583,753
Total fund balances	3,213,701	583,753	3,797,454
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,363,370	1,562,545	4,925,915

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, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUE:			
Local sources:			
Local tax	\$ -	954,128	954,128
Other	502,620	1,361	503,981
State sources	4,403,784	16,888	4,420,672
Total revenue	4,906,404	972,377	5,878,781
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	350,000	-	350,000
Operation and maintenance of plant	-	139,386	139,386
Transportation	-	189,671	189,671
Capital outlay	1,456,523	358,089	1,814,612
Total expenditures	1,806,523	687,146	2,493,669
Excess of revenues over expenditures	3,099,881	285,231	3,385,112
Other financing uses:			
Transfer out	(2,861,453)	-	(2,861,453)
Change in fund balances before special item	238,428	285,231	523,659
Proceeds from sale of real property(Note 16)	-	104,000	104,000
Change in fund balances	238,428	389,231	627,659
Fund balances beginning of year	2,975,273	194,522	3,169,795
Fund balances end of year	\$ 3,213,701	583,753	3,797,454

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2015

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
<u>SENIOR HIGH SCHOOL</u>				
ACTIVITY	10,185	1,891	984	11,092
DRAMA	323	3,249	3,241	331
CHORAL	1,286	1,848	1,202	1,932
ORCHESTRA/CHAMBER	1,430	175	729	876
BAND/COLOR GUARD	4,441	1,857	2,896	3,402
JAZZ BAND	301	-	-	301
MUSIC/DRAMA	8,910	-	518	8,392
MIDDLE SCHOOL ATHLETICS	8,650	17,533	16,870	9,313
FUTURE GRAYHOUND BBALL	5,097	-	-	5,097
GENERAL ATHLETICS	92,784	124,612	71,819	145,577
CHEERLEADERS	419	4,916	4,254	1,081
FUTURE GRAYHOUND SWIMMING	3,915	1,105	-	5,020
ART CLUB	2,842	580	1,392	2,030
KIWANIS KEY CLUB	-	1,474	1,474	-
PURPLE AND GRAY	184	-	-	184
INTERNATIONAL CLUB	327	-	69	258
PATHFINDER	9,290	26,735	11,058	24,967
ECOLOGY CLUB	2,146	8	160	1,994
SADD	-	3,240	3,240	-
VARSITY CLUB	4,730	160	1,199	3,691
RENAISSANCE STORE	7,080	25,611	22,088	10,603
SOPHOMORE CLASS	37	472	315	194
JUNIOR CLASS	4,177	7,347	4,332	7,192
SENIOR CLASS	11,108	1,541	1,803	10,846
NATIONAL HONOR SOCIETY	443	-	-	443
STUDENT COUNCIL	24,510	13,866	26,980	11,396
HERO	3,842	4,260	5,492	2,610
TECHNOLOGY STUDENT	2,266	1,899	3,659	506
DECA	2,589	-	-	2,589
BPA CLUB	121	-	-	121
DANCE TEAM	-	17,040	15,201	1,839
COLOR GUARD	-	18	-	18
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	27,624	14,514	12,129	30,009
FOOTBALL	5,753	33,847	28,455	11,145
SWIMMING	10,010	3,054	1,896	11,168
WRESTLING	4,727	23,123	8,232	19,618
TRACK	115	2,517	2,608	24
CROSS COUNTRY TRACK	848	1,697	1,049	1,496
BOWLING	1,895	-	25	1,870
BASEBALL	3,770	24,921	28,691	-
TENNIS	1,153	120	285	988
GOLF	2,143	3,420	4,585	978
SOCCER	6,704	4,024	6,898	3,830
<u>GIRLS ATHLETICS</u>				
SOCCER	696	5,981	6,677	-
BASKETBALL	9,331	6,390	5,968	9,753
VOLLEYBALL	3,732	11,990	12,745	2,977
SWIMMING	2,416	3,855	2,674	3,597
SOFTBALL	2,154	12,051	14,205	-
TRACK	2,770	511	1,290	1,991
TENNIS	1,125	2,395	2,871	649
GOLF	2,327	2,580	3,456	1,451
<u>TOTAL HIGH SCHOOL</u>	302,989	418,427	345,714	375,702
<u>OTHER BUILDINGS</u>				
JAMES MADISON	15,762	5,903	4,223	17,442
OAK STREET	12,682	7,363	4,789	15,256
CORSE	788	-	396	392
BLACK HAWK	2,671	3,089	2,728	3,032
GRIMES	646	1,982	1,982	646
NORTH HILL	1,846	-	545	1,301
SUNNYSIDE	8,926	139	701	8,364
<u>TOTAL OTHER BUILDINGS</u>	43,321	18,476	15,364	46,433
Total	\$ 346,310	436,903	361,078	422,135

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
GUEGLER TRUST	\$ 14,041	-	-	14,041
JOHN H WITTE FOUNDATION	1	-	-	1
DOROTHY LIND MUSIC	-	132,493	-	132,493
ED FOUNDATION SP. PROGRAM	404	19,765	19,562	607
BHS MUSIC PATRONS	5,235	-	3,854	1,381
BHS WAGNER MEMORIAL	3,064	24	-	3,088
BHS W DUKE FIELD IMP	3,969	54	-	4,023
BHS JAMES ANDERS	120,602	6	-	120,608
BHS ATH TRACK MAINTENANCE	4,665	12	-	4,677
BELL TRUST	-	252,320	-	252,320
Total	\$ 151,981	404,674	23,416	533,239

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION, PRIVATE PURPOSE TRUST
 ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Beginning Net Position	Additions	Deductions	Ending Net Position
BHS ADAMS EX SCH	\$ 33,916	116	-	34,032
BHS FARR SCHOLARSHIP	27	43	-	70
BHS E BEDELL MEMORIAL	1,083	3	-	1,086
BHS HABERICHTER MEMORIAL	622	9	-	631
BHS JOHANNSEN SCHOLARSHIP	12,113	24	400	11,737
BHS PERRINE SCHOLARSHIP	2,268	8	150	2,126
WEHMAN SCHOLARSHIP	4,651	15	-	4,666
BHS STUDENT COUNCIL SCHOOL	4,206	3,084	800	6,490
BHS ECOLOGY SCHOOL	802	351	979	174
BHS HUPPENBAUER SCIENCE	8,668	49	500	8,217
BHS BERQUIST MUSIC	17,817	-	-	17,817
BHS J FRANKLIN	638	-	200	438
JEFFERSON NURSE SCHOLARSHIP	450	250	250	450
Total	<u>\$ 87,261</u>	<u>3,952</u>	<u>3,279</u>	<u>87,934</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 13,728,463	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
Tuition	773,989	747,319	842,761	888,290	844,437	775,253	877,646	756,547	751,509	724,325
Other	2,136,096	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
Intermediate sources										
State sources	38,633,289	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
Federal sources	3,523,851	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
Total	\$ 58,795,688	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
Expenditures:										
Instruction:										
Regular	\$ 21,265,845	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
Special	8,374,707	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
Other	4,073,374	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
Support services:										
Student	2,036,219	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
Instructional staff	2,283,938	1,065,944	1,028,208	1,125,093	1,357,465	1,054,141	953,983	976,213	982,040	968,943
Administration	5,012,281	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
Operation and maintenance										
of plant	3,884,968	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
Transportation	1,451,216	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
Non-instructional programs	56,062	39,651	18,266	21,283	39,689	36,378	28,231	133,491	124,655	151,791
Capital outlay	1,814,612	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
Long-term debt:										
Principal	1,695,000	1,655,000	1,695,000	-	-	-	20,557,713	1,800,319	1,741,957	9,818,011
Interest and fiscal charges	1,166,453	1,221,302	1,145,587	1,418,345	1,418,345	1,520,176	1,263,199	547,319	178,587	314,009
Other expenditures:										
AEA flow-through	2,009,543	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
Total	\$ 55,124,218	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 229,642
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	1,177,488 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	31,212
			<u>1,438,342</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 15	<u>58,637</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0882-GC	23,762
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0882-G	1,360,664
			<u>1,384,426</u>
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	<u>3,099 **</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>82,817</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 15	<u>59,460</u>
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 14	65,733
	84.287	FY 15	210,884
			<u>276,617</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 15	<u>251,922</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 15	<u>20,535</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 15	<u>1,004</u>
IOWA PUBLIC BROADCASTING BOARD FOR IOWA PUBLIC TELEVISION: READY-TO-LEARN TELEVISION	84.295	FY 15	<u>4,200</u>
GREAT PRARIE AREA EDUCATION AGENCY: SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	<u>247,112 **</u>
UNIVERSITY OF NORTHERN IOWA: STATE FISCAL STABILIZATION FUND (SFSF) - INVESTING IN INNOVATION (i3) FUND, RECOVERY ACT	84.396	FY14	1,198
	84.396	FY 15	14,465
			<u>15,663</u>
TOTAL			<u>\$ 3,843,834</u>

* - Includes \$144,649 of non-cash awards.

** Total for Special Education Cluster (IDEA) is \$250,211.

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2016.

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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Burlington Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 6, 2016
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, 2015. 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, 2015.

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 each 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. Accordingly, we do not express 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 6, 2016
Newton, Iowa

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.367 - Improving Teacher Quality State Grants (Title IIA)
- (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-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted.

IV-B-15 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-15 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. However, we noted during our audit that the District does not currently have an independent person approve the Superintendents reimbursements. Better controls are established by having an independent person approve reimbursements.

Recommendation - The District should review its approval procedures to ensure an appropriate level of supervision.

Response - The District has implemented procedures to ensure the Superintendents reimbursements are approved by the Director of Business Services or Human Resource Director as appropriate.

Conclusion - Response accepted.

IV-D-15 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	\$52,158

According to an 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-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was overstated by 0.10 students.

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-15 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,975,273
Revenues:		
Sales tax revenues	\$ 4,403,784	
Other local revenues	502,620	4,906,404
		<u>7,881,677</u>
Expenditures/transfers out:		
School infrastructure construction	1,388,764	
Other	417,759	
Transfers to other funds:		
Debt service fund	2,861,453	4,667,976
		<u>4,667,976</u>
Ending balance		<u><u>\$ 3,213,701</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-15 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

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

Response - The District has reviewed all policies that have not been updated within the past five years and has a plan in place to systematically review all board policies within five years.

Conclusion - Response accepted

- IV-N-15 Financial Condition - The District had deficit unrestricted net position in the District's Governmental Activities of \$7,655,700 at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District will review the audit report annually with administration and the Board of Education to discuss the impact of GASB No. 68 and 71 on the District's financials for the current period and for future years.

Conclusion - Response accepted.