

PANORAMA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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Panorama Community School District  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Scott Fredrickson	President	2009
Tom Arganbright	Vice President	2008
Robert Meinecke	Board Member	2009
Tina Nepstad-Thornberry	Board Member	2009
Carol Wendl	Board Member	2008
<b>Board of Education (After September 2008 Election)</b>		
Scott Fredrickson	President	2009
Tom Arganbright	Vice President	2011
Bryice Wilke	Board Member	2011
Robert Meinecke	Board Member	2009
Tina Nepstad-Thornberry	Board Member	2009
<b>School Officials</b>		
John Millhollin	Superintendent	2009
Sheila Wooldridge	District Board Secretary	2009
Rick Engel	Attorney	2009

**NOLTE, CORNMAN & JOHNSON P.C.**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Panorama Community School District, Panora, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Panorama Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2010 on our consideration of Panorama Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 37 through 38 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Panorama Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 26, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Panorama 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,628,377 in fiscal 2008 to \$6,934,165 in fiscal 2009, while General Fund expenditures increased from \$6,705,000 in fiscal 2008 to \$7,307,798 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$225,493 in fiscal 2008 to a deficit \$148,140 in fiscal 2009, a 165.70% decrease from the prior year.
- The increase in General Fund revenues was mainly attributable to increases in property taxes and state grant revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- The District received \$481,126 in local option sales and service tax during the year.
- The District showed an increase of 11.4 resident students on line 1 of the October 2008 Certified Enrollment count.

### **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 Assets and a Statement of Activities. These provide information about the activities of Panorama 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 Panorama 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 Panorama Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

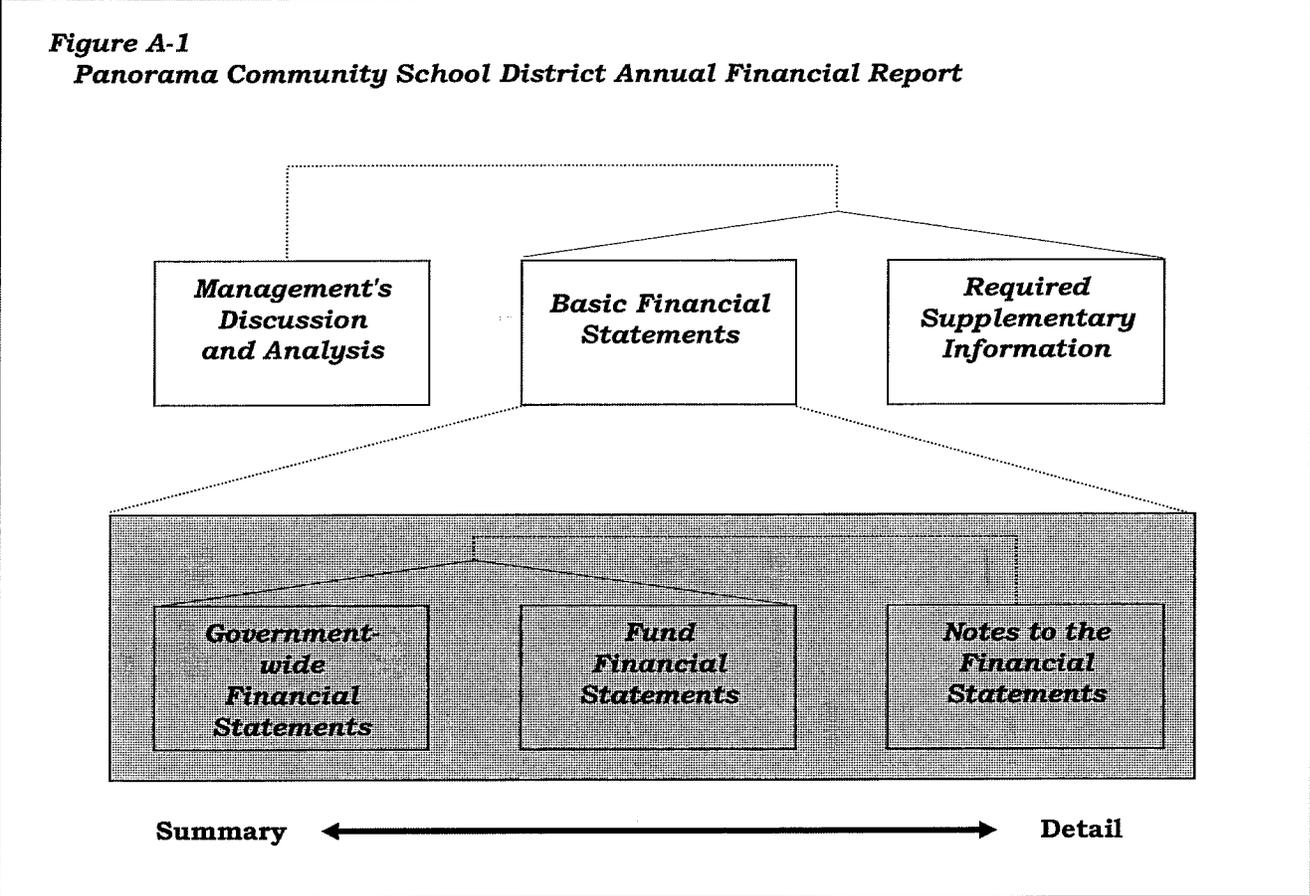


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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 and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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

## 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 Assets includes all of the District's assets and liabilities. 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.

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The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are 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 and Capital Projects.

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 funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service fund, one type of proprietary fund, is the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund.
- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust Fund.

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

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 16,119,858	15,461,053	13,139	17,749	16,132,997	15,478,802	4.23%
Capital assets	7,782,444	7,537,921	36,507	41,876	7,818,951	7,579,797	3.16%
Total assets	23,902,302	22,998,974	49,646	59,625	23,951,948	23,058,599	3.87%
Long-term liabilities	12,826,054	13,279,673	0	0	12,826,054	13,279,673	-3.42%
Other liabilities	6,256,457	4,820,358	24,690	0	6,281,147	4,820,358	30.30%
Total liabilities	19,082,511	18,100,031	24,690	0	19,107,201	18,100,031	5.56%
Net assets:							
Invested in capital assets, net of related debt	3,702,051	3,707,921	36,507	41,876	3,738,558	3,749,797	-0.30%
Restricted	1,197,529	802,104	0	0	1,197,529	802,104	49.30%
Unrestricted	(79,789)	388,918	(11,551)	17,749	(91,340)	406,667	-122.46%
Total net assets	\$ 4,819,791	4,898,943	24,956	59,625	4,844,747	4,958,568	-2.30%

The District's combined net assets decreased by 2.30% or \$113,821 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$395,425 or 49.30% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$498,007 or 122.46%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 493,354	483,257	201,795	160,879	695,149	644,136	7.92%
Operating grants and contributions and restricted interest	1,080,680	850,452	134,669	138,592	1,215,349	989,044	22.88%
General revenues:							
Property tax	3,541,463	3,370,062	0	0	3,541,463	3,370,062	5.09%
Income surtax	276,649	275,149	0	0	276,649	275,149	0.55%
Local option sales and service tax	481,126	465,134	0	0	481,126	465,134	3.44%
Unrestricted state grants	2,662,186	2,629,799	0	0	2,662,186	2,629,799	1.23%
Other	395,111	523,578	761	271	395,872	523,849	-24.43%
Total revenues	8,930,569	8,597,431	337,225	299,742	9,267,794	8,897,173	4.17%
Program expenses:							
Governmental activities:							
Instructional	5,311,348	4,666,483	0	0	5,311,348	4,666,483	13.82%
Support services	2,335,022	2,269,824	0	0	2,335,022	2,269,824	2.87%
Non-instructional programs	0	39,929	371,894	301,494	371,894	341,423	8.92%
Other expenses	1,363,351	675,146	0	0	1,363,351	675,146	101.93%
Total expenses	9,009,721	7,651,382	371,894	301,494	9,381,615	7,952,876	17.97%
Change in net assets	(79,152)	946,049	(34,669)	(1,752)	(113,821)	944,297	-112.05%
Net assets beginning of year	4,898,943	3,952,894	59,625	61,377	4,958,568	4,014,271	23.52%
Net assets end of year	\$ 4,819,791	4,898,943	24,956	59,625	4,844,747	4,958,568	-2.30%

In fiscal 2009, property tax and unrestricted state grants account for 69.47% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.77% of the revenue from business type activities.

The District's total revenues were approximately \$9.27 million of which approximately \$8.93 million was for governmental activities and \$0.34 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.17% in revenues and a 17.97% increase in expenses. Property taxes increased \$171,401 to fund increases in expenses. The increases in expenses related to increases in negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$8,930,569 and expenses were \$9,009,721.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 5,311,348	4,666,483	13.82%	4,009,900	4,659,296	-13.94%
Support services	2,335,022	2,269,824	2.87%	2,330,438	2,434,529	-4.28%
Non-instructional programs	0	39,929	-100.00%	0	39,929	-100.00%
Other expenses	1,363,351	675,146	101.93%	1,095,349	476,914	129.67%
Totals	\$ 9,009,721	7,651,382	17.75%	7,435,687	7,610,668	-2.30%

- The cost financed by users of the District's programs was \$493,354.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,080,680.
- The net cost of governmental activities was financed with \$3,818,112 in local tax, \$481,126 in local option sales and service tax, \$2,662,186 in unrestricted state grants, \$291,384 in interest income and \$103,727 in other revenue.

### Business Type Activities

Revenues of the District's business type activities were \$337,225 and expenses were \$371,894. 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 and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Panorama 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 balance of \$9,681,851, below last year's ending fund balances of \$10,437,985. The decrease is primarily attributable to the decrease in Capital Projects fund balance due to continuing construction costs.

### Governmental Fund Highlights

- The District's General Fund balance decreased from \$225,493 on June 30, 2008 to a deficit \$148,140 on June 30, 2009. The fluctuation in the District's General Fund financial position is the product of many factors. Increases in the state grant and tax revenues during the year resulted in an increase in total revenues. Increases in revenues were exceeded by increases in expenditures ensuring the decrease in the District's financial position.
- The Capital Projects fund balance decreased during the current year, from \$9,805,820 to \$9,414,091. This decrease was the result of continuing construction costs for improvements to District buildings.

### Proprietary Fund Highlights

The Enterprise Funds net assets decreased from \$59,625 at June 30, 2008 to \$24,956 at June 30, 2009, representing a decrease of approximately 58.15%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$51,824 more than budgeted revenues, a variance of 0.56%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs function due to timing of expenditures at year end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$7,818,951, 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 increase of 3.06% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$293,799.

The original cost of the District's capital assets was \$10,961,018. Governmental funds account for \$10,818,433 with the remainder of \$142,585 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. Land totaled \$79,750 at June 30, 2008, compared to \$207,582 reported at June 30, 2009.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-Type		Total		Total Change
	Activities		Activities		School District		
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	
Land	\$ 207,582	79,750	0	0	207,582	79,750	61.58%
Construction in progress	1,618,290	1,351,915	0	0	1,618,290	1,351,915	16.46%
Buildings	5,050,142	5,201,864	0	0	5,050,142	5,201,864	-3.00%
Improvements other than buildings	276,415	300,613	0	0	276,415	300,613	-8.75%
Machinery and equipment	630,015	603,779	36,507	41,876	666,522	645,655	3.13%
Total	\$ 7,782,444	7,537,921	36,507	41,876	7,818,951	7,579,797	3.06%

### Long-Term Debt

At June 30, 2009, the District had \$12,826,054 in general obligation bond payable, street assessment payable and other long-term debt outstanding. This represents an decrease of 3.4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$12,700,000 at June 30, 2009.

The District had total outstanding Street Assessment payable of \$15,220 at June 30, 2009.

The District had total outstanding Compensated Absences payable from the General Fund of \$45,617 at June 30, 2009.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$65,217 at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,	June 30,	
	2009	2008	2008-09
General obligation bonds	\$ 12,700,000	13,150,000	-3.4%
Street assessment	15,220	22,832	-33.3%
Compensated absences	45,617	49,331	-7.5%
Early retirement	65,217	57,510	13.4%
Total	\$ 12,826,054	13,279,673	-3.4%

## 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:

- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- All District employees qualify for participation in the Iowa Public Employees Retirement System (IPERS). Both the District and its employees contribute to this fund. IPERS has an unfunded actuarial liability and unrecognized actuarial loss. Given this fact, additional contributions have been required by the General Assembly. The legislation increased IPERS contribution rates 0.5 percent per year for four years and restricts certain practices and benefits to control benefit costs. The increases begin July 1, 2007.
- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.
- Although the District's enrollment generally trends upward, enrollment for the 2009-10 school year declined by 32.2 students. The District will be on a budget guarantee for the 2010-11 school year and additional resources will be scarce due to the decline in enrollment.

## 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 Kathryn Elliott, Superintendent, Panorama Community School District, 701 W. Main Street, Panorama, Iowa, 50216.

BASIC FINANCIAL STATEMENTS

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	\$ 1,252,059	0	1,252,059
Other	10,474,174	28,786	10,502,960
Receivables:			
Property tax:			
Delinquent	49,272	0	49,272
Succeeding year	3,788,296	0	3,788,296
Income surtax	271,010	0	271,010
Interfund	23,336	(21,336)	2,000
Accounts	7,414	0	7,414
Accrued ISCAP interest	4,693	0	4,693
Due from other governments	249,604	0	249,604
Inventories	0	5,689	5,689
Capital assets, net of accumulated depreciation	7,782,444	36,507	7,818,951
<b>Total Assets</b>	<b>23,902,302</b>	<b>49,646</b>	<b>23,951,948</b>
<b>Liabilities</b>			
Accounts payable	347,272	0	347,272
Salaries and benefits payable	769,371	21,324	790,695
Accrued interest payable	89,460	0	89,460
ISCAP warrants payable	1,234,000	0	1,234,000
ISCAP interest payable	6,711	0	6,711
ISCAP unamortized premiums payable	19,740	0	19,740
Deferred revenue:			
Succeeding year property tax	3,788,296	0	3,788,296
Other	1,607	0	1,607
Unearned revenues	0	3,366	3,366
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	465,000	0	465,000
Street assessment payable	7,612	0	7,612
Early retirement	36,714	0	36,714
Compensated absences	45,617	0	45,617
Portion due after one year:			
General obligation bonds	12,235,000	0	12,235,000
Street assessment payable	7,608	0	7,608
Early retirement	28,503	0	28,503
<b>Total Liabilities</b>	<b>19,082,511</b>	<b>24,690</b>	<b>19,107,201</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,702,051	36,507	3,738,558
Restricted for:			
Categorical funding	67,582	0	67,582
Management levy	106,549	0	106,549
Physical plant and equipment levy	218,326	0	218,326
Capital projects	779,264	0	779,264
Debt service	20,856	0	20,856
Other special revenue purposes	4,952	0	4,952
Unrestricted	(79,789)	(11,551)	(91,340)
<b>Total Net Assets</b>	<b>\$ 4,819,791</b>	<b>24,956</b>	<b>4,844,747</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants,		Govern- mental Activities	Business Type Activities	Total
		Charges for Services	Contributions and Restricted Interest			
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 3,587,132	232,353	758,061	(2,596,718)	0	(2,596,718)
Special	859,150	41,886	54,033	(763,231)	0	(763,231)
Other	865,066	215,115	0	(649,951)	0	(649,951)
	<u>5,311,348</u>	<u>489,354</u>	<u>812,094</u>	<u>(4,009,900)</u>	<u>0</u>	<u>(4,009,900)</u>
Support services:						
Student	161,075	0	0	(161,075)	0	(161,075)
Instructional staff	234,722	0	0	(234,722)	0	(234,722)
Administration	744,925	0	0	(744,925)	0	(744,925)
Operation and maintenance of plant	579,296	0	0	(579,296)	0	(579,296)
Transportation	615,004	4,000	584	(610,420)	0	(610,420)
	<u>2,335,022</u>	<u>4,000</u>	<u>584</u>	<u>(2,330,438)</u>	<u>0</u>	<u>(2,330,438)</u>
Other expenditures:						
Facilities acquisitions	354,336	0	0	(354,336)	0	(354,336)
Long-term debt interest	554,284	0	0	(554,284)	0	(554,284)
AEA flowthrough	268,002	0	268,002	0	0	0
Depreciation(unallocated)*	186,729	0	0	(186,729)	0	(186,729)
	<u>1,363,351</u>	<u>0</u>	<u>268,002</u>	<u>(1,095,349)</u>	<u>0</u>	<u>(1,095,349)</u>
Total governmental activities	9,009,721	493,354	1,080,680	(7,435,687)	0	(7,435,687)
Business Type activities:						
Non-instructional programs:						
Nutrition services	371,894	201,795	134,669	0	(35,430)	(35,430)
Total business type activities	<u>371,894</u>	<u>201,795</u>	<u>134,669</u>	<u>0</u>	<u>(35,430)</u>	<u>(35,430)</u>
Total	<u>\$ 9,381,615</u>	<u>695,149</u>	<u>1,215,349</u>	<u>(7,435,687)</u>	<u>(35,430)</u>	<u>(7,471,117)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,668,713	0	2,668,713
Debt service				555,232	0	555,232
Capital outlay				317,518	0	317,518
Income surtax				276,649	0	276,649
Statewide sales and services				481,126	0	481,126
Unrestricted state grants				2,662,186	0	2,662,186
Unrestricted investment earnings				291,384	761	292,145
Other				100,979	0	100,979
Gain on sale of assets				2,748	0	2,748
Total general revenues				<u>7,356,535</u>	<u>761</u>	<u>7,357,296</u>
Changes in net assets				(79,152)	(34,669)	(113,821)
Net assets beginning of year				<u>4,898,943</u>	<u>59,625</u>	<u>4,958,568</u>
Net assets end of year				<u>\$ 4,819,791</u>	<u>24,956</u>	<u>4,844,747</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 1,252,059	0	0	1,252,059
Other	1,010,315	9,028,881	434,978	10,474,174
Receivables:				
Property tax:				
Delinquent	36,017	0	13,255	49,272
Succeeding year	2,688,023	0	1,100,273	3,788,296
Income surtax	271,010	0	0	271,010
Interfund	23,336	499,947	0	523,283
Accounts	7,414	0	0	7,414
Accrued ISCAP interest	4,693	0	0	4,693
Due from other governments	118,861	130,743	0	249,604
<b>Total Assets</b>	<b>\$ 5,411,728</b>	<b>9,659,571</b>	<b>1,548,506</b>	<b>16,619,805</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 499,947	0	0	499,947
Accounts payable	69,459	245,480	32,333	347,272
Salaries and benefits payable	769,371	0	0	769,371
ISCAP warrants payable	1,234,000	0	0	1,234,000
ISCAP interest payable	6,711	0	0	6,711
ISCAP unamortized premiums payable	19,740	0	0	19,740
Deferred revenue:				
Succeeding year property tax	2,688,023	0	1,100,273	3,788,296
Income surtax	271,010	0	0	271,010
Other	1,607	0	0	1,607
Total liabilities	5,559,868	245,480	1,132,606	6,937,954
Fund balances:				
Reserved for:				
Construction	0	8,634,827	0	8,634,827
Debt service	0	0	20,856	20,856
Categorical funding	67,582	0	0	67,582
Unreserved	(215,722)	779,264	395,044	958,586
Total fund balances	(148,140)	9,414,091	415,900	9,681,851
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,411,728</b>	<b>9,659,571</b>	<b>1,548,506</b>	<b>16,619,805</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009

<b>Total fund balances of governmental funds (page 15)</b>	\$ 9,681,851
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	7,782,444
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(89,460)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	271,010
Long-term liabilities including general obligation bonds payable, street assessment payable, early retirement payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(12,826,054)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 4,819,791</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,795,571	481,126	1,022,541	4,299,238
Tuition	242,810	0	0	242,810
Other	155,549	258,027	234,099	647,675
State sources	3,467,364	0	611	3,467,975
Federal sources	270,123	0	0	270,123
Total revenues	<u>6,931,417</u>	<u>739,153</u>	<u>1,257,251</u>	<u>8,927,821</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,454,850	0	163,575	3,618,425
Special	859,150	0	0	859,150
Other	621,802	0	237,446	859,248
	<u>4,935,802</u>	<u>0</u>	<u>401,021</u>	<u>5,336,823</u>
Support services:				
Student	161,188	0	0	161,188
Instructional staff	212,392	0	22,533	234,925
Administration	716,889	0	0	716,889
Operation and maintenance of plant	480,516	0	97,892	578,408
Transportation	533,009	0	107,371	640,380
	<u>2,103,994</u>	<u>0</u>	<u>227,796</u>	<u>2,331,790</u>
Other expenditures:				
Facilities acquisitions	0	729,753	29,599	759,352
Long-term debt:				
Principal	0	0	457,612	457,612
Interest	0	0	533,124	533,124
AEA flowthrough	268,002	0	0	268,002
	<u>268,002</u>	<u>729,753</u>	<u>1,020,335</u>	<u>2,018,090</u>
Total expenditures	<u>7,307,798</u>	<u>729,753</u>	<u>1,649,152</u>	<u>9,686,703</u>
Excess (Deficiency) of revenues over (under) expenditures	(376,381)	9,400	(391,901)	(758,882)
<b>Other financing sources (uses):</b>				
Transfer in	0	25,195	435,078	460,273
Transfer out	0	(426,324)	(33,949)	(460,273)
Sale of equipment	2,748	0	0	2,748
Total other financing sources (uses)	<u>2,748</u>	<u>(401,129)</u>	<u>401,129</u>	<u>2,748</u>
Net change in fund balances	(373,633)	(391,729)	9,228	(756,134)
Fund balance beginning of year	225,493	9,805,820	406,672	10,437,985
Fund balance end of year	<u>\$ (148,140)</u>	<u>9,414,091</u>	<u>415,900</u>	<u>9,681,851</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ (756,134)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 528,079	
Depreciation expense	(283,556)	244,523

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid		457,612
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(21,160)

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.

Compensated absences	3,714	
Early retirement	(7,707)	(3,993)

Changes in net assets of governmental activities (page 14) \$ (79,152)

PANORAMA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2009

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 28,786
Inventories	5,689
Capital assets, net of accumulated depreciation	36,507
Total Assets	<u>70,982</u>
Liabilities	
Interfund payable	21,336
Salaries and benefits payable	21,324
Unearned revenue	3,366
Total Liabilities	<u>46,026</u>
Net Assets	
Invested in capital assets	36,507
Unrestricted	(11,551)
Total Net Assets	<u>\$ 24,956</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2009

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 201,795
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	124,308
Benefits	36,419
Services	905
Supplies	198,488
Other	1,531
Depreciation	10,243
Total operating expenses	371,894
Operating loss	(170,099)
Non-operating revenues:	
State sources	4,197
Federal sources	130,472
Interest income	761
Total non-operating revenues	135,430
Net loss	(34,669)
Net assets beginning of year	59,625
Net assets end of year	\$ 24,956

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 202,420
Cash received from miscellaneous operating activities	2,741
Cash payments to employees for services	(139,403)
Cash payments to suppliers for goods or services	(180,112)
Net cash used in operating activities	(114,354)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	14,387
State grants received	4,197
Federal grants received	110,207
Net cash provided by non-capital financing activities	128,791
Cash flows from capital and related financing activities:	
Purchase of capital assets	(4,874)
Cash flows from investing activities:	
Interest on investments	761
Net increase in cash and cash equivalents	10,324
Cash and cash equivalents at beginning of year	18,462
Cash and cash equivalents at end of year	\$ 28,786
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:	
Operating loss	\$ (170,099)
Adjustments to reconcile operating loss to net cash provided used in operating activities:	
Commodities consumed	20,265
Depreciation	10,243
Decrease in inventories	547
Increase in salaries and benefits payable	21,324
Increase in unearned revenue	3,366
Net cash provided used in operating activities	\$ (114,354)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 28,786
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2009, the District received Federal commodities valued at \$20,265.	

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$          150,699</u>
LIABILITIES	
Interfund payable	<u>                  2,000</u>
NET ASSETS	
Reserved for scholarships	<u><u>\$          148,699</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 5,886
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>11,431</u>
Change in net assets	(5,545)
Net assets beginning of year	<u>154,244</u>
Net assets end of year	<u>\$ 148,699</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Panorama 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 cities of Panora, Iowa, and the predominate agricultural territory in Guthrie, Dallas and Greene Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Panorama 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.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following nonmajor proprietary fund:

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

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

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 and proprietary 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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 funds are 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 nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

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

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be 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 Assets.

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional programs function exceeded the amount budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 8,830,285

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	\$ 21,336
Capital Projects Local Option Sales Tax	General	499,384
Capital Projects Building Projects	General	563
General	Private Purpose Trust	2,000
Total		<u>\$ 523,283</u>

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid at year end.

The General Fund is repaying Capital Projects, Local Option Sales Tax for sales tax revenues received but not receipted to the proper fund.

The General Fund is repaying the Capital Projects, Building Projects for Payschools fees that are currently being paid monthly from the wrong fund.

The Private Purpose Trust Fund is repaying the General Fund for student class expenditures the private purpose trust should have paid. This interfund loan has subsequently been repaid.

The interfund loans between the General Fund and the Enterprise, School Nutrition Fund and the two Capital Projects Funds have not been subsequently repaid. The District is aware of the interfund loans and realize that more than one year may be needed to correct them in a responsible manner.

**(4) Interfund Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects	
Debt Service	Local Option Sales Tax	\$ 426,324
	Physical Plant and	
Debt Service	Equipment Levy	8,754
Capital Projects	Physical Plant and	
Building Projects	Equipment Levy	<u>25,195</u>
Total		<u>\$ 460,273</u>

The Local Option Sales and Service Tax transfer to the Debt Service fund is for principal and interest payments on the District's general obligation bond indebtedness.

The Physical Plant and Equipment Levy transfer to the Debt Service Fund is for principal and interest paid on the District's street assessment payable to Guthrie County.

The Physical Plant and Equipment Levy transfer to the Building Projects(Capital Projects) is for expenditures that should have been paid and capitalized as part of the District's construction project.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 497,295	4,600	491,000	6,457
2009-10A	6/25/09	6/23/10	754,764	93	743,000	254
Total			<u>\$ 1,252,059</u>	<u>4,693</u>	<u>1,234,000</u>	<u>6,711</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its

General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. During the year ended June 30, 2009, the District had no advance ISCAP activity.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 79,750	127,832	0	207,582
Construction in progress	1,351,915	266,375	0	1,618,290
Total capital assets not being depreciated	1,431,665	394,207	0	1,825,872
Capital assets being depreciated:				
Buildings	7,132,061	0	10,809	7,121,252
Improvements other than buildings	606,132	10,809	0	616,941
Machinery and equipment	1,159,982	123,063	28,677	1,254,368
Total capital assets being depreciated	8,898,175	133,872	39,486	8,992,561
Less accumulated depreciation for:				
Buildings	1,930,197	151,722	10,809	2,071,110
Improvements other than buildings	305,519	35,007	0	340,526
Machinery and equipment	556,203	96,827	28,677	624,353
Total accumulated depreciation	2,791,919	283,556	39,486	3,035,989
Total capital assets being depreciated, net	6,106,256	(149,684)	0	5,956,572
Governmental activities capital assets, net	\$ 7,537,921	244,523	0	7,782,444

	Balance Beginning of Year	Increases	Decreases	Balance End Of Year
Business-type activities:				
Machinery and equipment	\$ 153,358	4,874	15,647	142,585
Less accumulated depreciation	111,482	10,243	15,647	106,078
Business-type activities capital assets, net	\$ 41,876	(5,369)	0	36,507

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 8,454
Other		5,818
Support services:		
Administration		1,780
Operation and maintenance of plant services		8,388
Transportation services		72,387
		96,827
Unallocated depreciation		186,729
Total governmental activities depreciation expense		\$ 283,556
Business-type activities:		
Food services		\$ 10,243

**(7) Long-Term Liabilities**

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 13,150,000	0	450,000	12,700,000	465,000
Street assessment	22,832	0	7,612	15,220	7,612
Compensated absences	49,331	45,617	49,331	45,617	45,617
Early retirement	57,510	61,406	53,699	65,217	36,714
Total	\$ 13,279,673	107,023	560,642	12,826,054	554,943

Street Assessment

The District was assessed \$86,000 for street construction during the year ended June 30, 2000. Annual principal and interest payments are made from the Physical Plant and Equipment Levy. Details of the assessment as of the year ended June 30, 2009 are as follows:

Year Ending June 30,	Assessment June 30, 2000			
	Interest Rate	Principal	Interest	Total
2010	5.00 %	\$ 7,612	762	8,374
2011	5.00	7,608	379	7,987
Total		\$ 15,220	1,141	16,361

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bond indebtedness is as follows:

Year Ending June 30,	Bond issue dated August 1, 2003			Bond issue dated December 1, 2007		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2010	2.90 %	\$ 390,000	93,020	4.15 %	\$ 75,000	22,146
2011	3.10	400,000	81,710	4.00	75,000	19,032
2012	3.25	410,000	69,310	3.55	80,000	16,032
2013	3.35	430,000	55,985	3.60	85,000	13,192
2014	3.50	440,000	41,580	3.65	85,000	10,132
2015-2019	3.60-3.70	720,000	35,800	3.70	190,000	10,730
2020-2024	-	-	-	-	-	-
2025-2028	-	-	-	-	-	-
Total		<u>\$ 2,790,000</u>	<u>377,405</u>		<u>\$ 590,000</u>	<u>91,264</u>

Year Ending June 30,	Bond issue dated June 1, 2008			Total		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2010	-	-	427,963	465,000	543,129	1,008,129
2011	-	-	427,963	475,000	528,705	1,003,705
2012	-	-	427,963	490,000	513,305	1,003,305
2013	-	-	427,963	515,000	497,140	1,012,140
2014	-	-	427,963	525,000	479,675	1,004,675
2015-2019	5.00	2,070,000	2,018,562	2,980,000	2,065,092	5,045,092
2020-2024	4.25-5.00	3,685,000	1,275,336	3,685,000	1,275,336	4,960,336
2025-2028	4.25-4.30	3,565,000	388,862	3,565,000	388,862	3,953,862
Total		<u>\$ 9,320,000</u>	<u>5,822,575</u>	<u>12,700,000</u>	<u>6,291,244</u>	<u>18,991,244</u>

Early Retirement

The District offers a voluntary early retirement plan to all professional certified staff employees. Eligible employees must be at least age fifty-five and must have completed fifteen years continuous service to the District. Employees must complete an application for early retirement benefits not later than January 20 of the calendar year in which the first year of early retirement is to commence. Each application submitted is subject to approval by the Board of Education.

Employees that have been granted early retirement benefits receive a stipend that is equal to 40% of the employee's regular contractual salary from the salary schedule in effect during the employee's last year of employment. Employees may elect to continue participation in the District's group health insurance plan until eligible for Medicare benefits whether or not the employee actually applies for Medicare benefits.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement. Early retirement expenditures for the year ended June 30, 2009 totaled \$53,699.

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary.

Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$282,069, \$243,667 and \$214,713 respectively, equal to the required contributions for each year.

**(9) Risk Management**

Panorama 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.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$268,002 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Construction Commitment**

As of June 30, 2009, costs of \$1,618,290 had been incurred on various construction contracts for District improvements. When construction is completed, the final cost of the projects will be added to the District's capital asset listing.

**(12) Deficit Fund Balance/Net Assets**

The General Fund had a deficit unreserved undesignated fund balance of \$215,722. The Enterprise, Nutrition Fund had a deficit unreserved undesignated fund balance of \$11,551. The District also had a deficit unrestricted net assets balance in the governmental activities of \$79,789.

**(13) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the non-instructional programs function exceeded the budgeted amount.

**(14) Categorical Funding**

The District's ending balances for state categorical funding by project as of the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Talented and gifted	\$ 42,664
Beginning teacher mentoring	4,345
Market factor	1,439
Beginning administrator mentoring	2,160
Model core curriculum	11,410
Market factor incentives	5,564
Total	<u>\$ 67,582</u>

**(15) Other Postemployment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

PANORAMA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 5,189,723	202,556	5,392,279	5,275,364	5,275,364	116,915
State sources	3,467,975	4,197	3,472,172	3,564,858	3,564,858	(92,686)
Federal sources	270,123	130,472	400,595	373,000	373,000	27,595
Total revenues	8,927,821	337,225	9,265,046	9,213,222	9,213,222	51,824
<b>Expenditures/Expenses:</b>						
Instruction	5,336,823	0	5,336,823	5,538,108	5,538,108	201,285
Support services	2,331,790	0	2,331,790	2,429,000	2,429,000	97,210
Non-instructional programs	0	371,894	371,894	360,000	360,000	(11,894)
Other expenditures	2,018,090	0	2,018,090	9,963,211	9,963,211	7,945,121
Total expenditures/expenses	9,686,703	371,894	10,058,597	18,290,319	18,290,319	8,231,722
Excess(Deficiency) of revenues over(under) expenditures/expenses	(758,882)	(34,669)	(793,551)	(9,077,097)	(9,077,097)	8,283,546
Other financing sources, net	2,748	0	2,748	5,000	5,000	2,252
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(756,134)	(34,669)	(790,803)	(9,072,097)	(9,072,097)	8,281,294
Balance beginning of year	10,437,985	59,625	10,497,610	10,664,416	10,664,416	(166,806)
Balance end of year	\$ 9,681,851	24,956	9,706,807	1,592,319	1,592,319	8,114,488

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. 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 functional 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 ended June 30, 2009, District expenditures in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds				Debt Service	Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 169,624	4,952	246,616	421,192	13,786	434,978
Receivables:						
Property tax:						
Current year delinquent	2,142	0	4,043	6,185	7,070	13,255
Succeeding year	200,000	0	344,615	544,615	555,658	1,100,273
<b>Total Assets</b>	<b>\$ 371,766</b>	<b>4,952</b>	<b>595,274</b>	<b>971,992</b>	<b>576,514</b>	<b>1,548,506</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 0	0	32,333	32,333	0	32,333
Deferred revenue:						
Succeeding year property tax	200,000	0	344,615	544,615	555,658	1,100,273
<b>Total Liabilities</b>	<b>200,000</b>	<b>0</b>	<b>376,948</b>	<b>576,948</b>	<b>555,658</b>	<b>1,132,606</b>
<b>Fund balances:</b>						
Reserved for debt service	0	0	0	0	20,856	20,856
Unreserved fund balances	171,766	4,952	218,326	395,044	0	395,044
<b>Total fund balances</b>	<b>171,766</b>	<b>4,952</b>	<b>218,326</b>	<b>395,044</b>	<b>20,856</b>	<b>415,900</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 371,766</b>	<b>4,952</b>	<b>595,274</b>	<b>971,992</b>	<b>576,514</b>	<b>1,548,506</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 149,791	0	317,518	467,309	555,232	1,022,541
Other	9,674	215,115	9,310	234,099	0	234,099
State sources	92	0	189	281	330	611
<b>TOTAL REVENUES</b>	<b>159,557</b>	<b>215,115</b>	<b>327,017</b>	<b>701,689</b>	<b>555,562</b>	<b>1,257,251</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	53,699	0	109,876	163,575	0	163,575
Other	0	237,446	0	237,446	0	237,446
Support services:						
Instructional staff	0	0	22,533	22,533	0	22,533
Operation and maintenance of plant	96,194	0	1,698	97,892	0	97,892
Transportation	9,608	0	97,763	107,371	0	107,371
Other expenditures:						
Facilities acquisitions	0	0	29,599	29,599	0	29,599
Long-term debt:						
Principal	0	0	0	0	457,612	457,612
Interest and fiscal charges	0	0	0	0	533,124	533,124
<b>TOTAL EXPENDITURES</b>	<b>159,501</b>	<b>237,446</b>	<b>261,469</b>	<b>658,416</b>	<b>990,736</b>	<b>1,649,152</b>
Excess(Deficiency) of revenues over(under) expenditures	56	(22,331)	65,548	43,273	(435,174)	(391,901)
Other financing sources(uses):						
Transfers in	0	0	0	0	435,078	435,078
Transfers out	0	0	(33,949)	(33,949)	0	(33,949)
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>(33,949)</b>	<b>(33,949)</b>	<b>435,078</b>	<b>401,129</b>
Change in fund balances	56	(22,331)	31,599	9,324	(96)	9,228
Fund balances beginning of year	171,710	27,283	186,727	385,720	20,952	406,672
Fund balances end of year	\$ 171,766	4,952	218,326	395,044	20,856	415,900

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 696	806	207	1,295
Speech	(1,379)	25	450	(1,804)
Volleyball	0	5,897	18,324	(12,427)
Track	0	8,721	10,958	(2,237)
Cross country	0	5,107	0	5,107
Golf	0	4,282	6,152	(1,870)
Basketball	0	18,156	310	17,846
Boys basketball	0	12,344	9,814	2,530
Football	0	17,428	54,270	(36,842)
Baseball & softball	0	8,561	25,888	(17,327)
JR. high softball & baseball	0	501	385	116
Wrestling	0	4,703	15,690	(10,987)
Athletics	(7,450)	28,744	0	21,294
Spanish club	882	0	0	882
Tag	98	0	0	98
Student council	261	4,900	2,347	2,814
MS student council	67	3,266	458	2,875
FCCLA	664	3,054	3,294	424
FFA	4,846	18,794	22,842	798
Panther greenhouse	(640)	0	458	(1,098)
Panther productions	725	96	426	395
Physics	10	0	0	10
MS science club	225	0	0	225
FCA	82	0	0	82
Art club	1,385	50	284	1,151
Annual	(11,884)	9,360	10,800	(13,324)
Drill team	(1,736)	7,332	7,268	(1,672)
Cheerleaders	1,440	4,035	4,074	1,401
Wrestling cheerleaders	838	0	1,037	(199)
Flags	(114)	0	0	(114)
Technology student association	906	1,401	1,304	1,003
Panthers for prevention	864	536	329	1,071
Class of 2006	0	200	0	200
Class of 2007	668	0	0	668
Class of 2008	1,334	0	0	1,334
Class of 2009	6,946	14,406	17,850	3,502
Class of 2010	2,421	14,447	10,181	6,687
Class of 2011	5,263	0	0	5,263
Class of 2012	3,350	0	0	3,350
Class of 2013	1,135	0	0	1,135
Class of 2014	243	0	0	243
Elementary	11,555	16,895	11,848	16,602
General	(35)	336	198	103
Interest	3,617	732	0	4,349
Total	\$ 27,283	215,115	237,446	4,952

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET FOR CAPITAL PROJECTS FUND  
 JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Local Option Sales Tax	Total
<b>Assets</b>			
Cash and pooled investments	\$ 8,879,744	149,137	9,028,881
Interfund receivable	563	499,384	499,947
Due from other governments	0	130,743	130,743
<b>Total Assets</b>	<b>\$ 8,880,307</b>	<b>779,264</b>	<b>9,659,571</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 245,480	0	245,480
<b>Fund balances:</b>			
Reserved for construction	8,634,827	0	8,634,827
Unreserved	0	779,264	779,264
<b>Total fund balances</b>	<b>8,634,827</b>	<b>779,264</b>	<b>9,414,091</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,880,307</b>	<b>779,264</b>	<b>9,659,571</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Local Option Sales Tax	Total
Revenues:			
Local sources:			
Local option sales and service tax	\$ 0	481,126	481,126
Interest on investments	257,989	0	257,989
Other	0	38	38
Total revenues	257,989	481,164	739,153
Expenditures:			
Current:			
Other expenditures:			
Facilities acquisitions	601,920	127,833	729,753
Excess(Deficiency) of revenues over(under) expenditures	(343,931)	353,331	9,400
Other financing sources(uses):			
Transfer in	25,195	0	25,195
Transfer out	0	(426,324)	(426,324)
Total other financing sources(uses)	25,195	(426,324)	(401,129)
Deficiency of revenues under expenditures and other financing sources(uses)	(318,736)	(72,993)	(391,729)
Fund balance beginning of year	8,953,563	852,257	9,805,820
Fund balance end of year	\$ 8,634,827	779,264	9,414,091

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:								
Local sources:								
Local tax	\$ 4,299,238	4,104,444	3,925,911	3,227,265	2,819,659	2,914,410	2,736,727	2,631,370
Tuition	242,810	247,834	192,374	207,560	138,240	133,219	152,608	166,501
Other	647,675	426,889	441,007	336,040	329,364	296,759	233,609	252,527
State sources	3,467,975	3,282,311	3,174,607	3,040,431	2,718,012	2,459,527	2,730,171	2,574,124
Federal sources	270,123	203,754	632,518	227,920	237,361	241,449	233,061	214,368
Total	\$ 8,927,821	8,265,232	8,366,417	7,039,216	6,242,636	6,045,364	6,086,176	5,838,890
Expenditures:								
Current:								
Instruction:								
Regular	\$ 3,618,425	3,171,516	3,156,083	2,927,869	2,615,038	2,464,993	2,591,875	2,408,494
Special	859,150	737,691	725,689	650,137	721,446	668,486	633,169	686,312
Other	859,248	827,814	730,338	694,011	489,614	495,735	454,290	436,144
Support services:								
Student	161,188	155,203	143,624	149,757	132,387	112,572	108,543	108,282
Instructional staff	234,925	251,045	194,186	175,573	160,567	152,946	115,890	126,671
Administration	716,889	691,361	649,260	566,893	494,065	460,704	497,602	484,179
Operation and maintenance of plant	578,408	588,541	559,253	515,332	424,253	556,604	458,926	417,764
Transportation	640,380	807,995	448,724	506,324	381,046	351,189	315,437	284,188
Non-instructional programs	0	38,960	17,891	15,771	14,686	0	113	0
Other expenditures:								
Facilities acquisitions	759,352	1,531,655	260,849	100,534	95,157	344,813	52,603	59,289
Long-term debt:								
Principal	457,612	370,000	365,000	270,000	255,000	240,000	230,000	350,410
Interest	533,124	111,705	119,005	328,156	344,742	384,697	256,776	275,818
AEA flow-through	268,002	245,109	240,115	224,732	203,470	200,632	214,926	210,701
Total	\$ 9,686,703	9,528,595	7,610,017	7,125,089	6,331,471	6,433,371	5,930,150	5,848,252

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

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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  
Panorama Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Panorama Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Panorama Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Panorama Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Panorama Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Panorama Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Panorama Community School District's financial statements that is more than inconsequential will not be prevented or detected by Panorama Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Panorama Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panorama 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Panorama Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Panorama Community School District's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Panorama 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 26, 2010

PANORAMA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - Additional personnel will be assigned to assist in central office duties to increase internal controls. We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-09 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The Private Purpose Trust had no transactions recorded during the fiscal year. There were no adjustments made in the Nutrition Fund for changes in inventories, capital assets, student lunch account balances or commodities received. Governmental fixed assets, receivables and payables also had no adjustments made.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - A new board secretary/business manager was hired in December 2009 and is training and working together with the former business manager until June 30, 2010. The new business manager will be attending annual budget training in February/March, Software Unlimited training in April, and IASBO Management Academy training in May to learn how to maintain reliable accounting records and ensure accurate and timely completion of the Certified Annual Report. IASBO will also provide a mentor to assist in this process.

Conclusion - Response accepted.

I-C-09 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

Response - The accounting staff has developed a working understanding of how to reconcile monthly bank statements to the general ledger. Monthly financial reports to the school board in December and January show reconciliation between bank statements and general ledger. This will continue to be monitored monthly by the superintendent and the school board.

Conclusion - Response accepted.

I-D-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The athletic director has asked all coaches who are also non-certified staff to keep a timesheet of their hours to turn in at the end of the season. Wages will be paid in compliance with minimum wage and overtime requirements.

Conclusion - Response accepted.

I-E-09 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The new board secretary will be establishing a process that involves the administrators responsible for grants or projects in coding bills to ensure accuracy. The accounting staff also will review the coding of bills to special grants or projects with the responsible administrator on a quarterly basis.

Conclusion - Response accepted.

I-F-09 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given

and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - Receipts for each individual's payment will be provided by sponsors or fundraising chairpersons when submitting money to the central office from multiple recipients.

Conclusion - Response accepted.

I-G-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted purchase orders were being completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - A new process for accounts payable and receivable will be established that will implement the use of the District's electronic purchase order system to provide timely and accurate information on fund balances.

Conclusion - Response accepted.

I-H-09 Gate Admissions - Pre-numbered tickets are not being used for all performances and athletic events held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances and athletic events. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.

- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.
- h. The Activity Director or designee should be required to either take to the night deposit at the bank or lock the event proceeds in the District's vault until a deposit can be made the following business day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.
- k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - The school board will adopt a board policy on internal control procedures for handling cash for all extra-curricular events. The athletic director will be responsible for ensuring that the policy is consistently followed and enforced.

Conclusion - Response accepted.

I-I-09 Timely Deposits - We noted during our audit that deposits were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - Additional personnel will be employed starting in January to assist with the workload. We will try to ensure that all receipts are deposited on a timely basis.

Conclusion - Response accepted.

PANORAMA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - During the year ended June 30, 2009, expenditures in the non-instructional programs function exceeded the budgeted amount.

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

Response - Closer monitoring of program expenditures will be implemented. In the future, the budget will be amended before expenditures exceed the budget.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 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.

II-D-08 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kristi Muyskens, Teacher	Embroidery work	\$129
Scott Calmer, Bus Driver Owns Scott's Outdoor Supply	Supplies	\$1,116

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with employees of the District do not appear to present a conflict of interest.

II-E-09 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.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			481,126
Expenditures/Transfers out:			
School infrastructure:			
Land	\$	54,802	
Debt service for school infrastructure:			
General obligation debt		426,324	481,126
Ending balance		\$	0

Levies reduced as a result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.34092	\$ 426,324

II-L-08 Financial Condition - We noted during our audit that the General Fund had deficit unrestricted net assets of \$215,722. The School Nutrition Fund had deficit unrestricted net assets of \$11,551. The District also had deficit net assets in the governmental activities of \$79,789. We also noted during our audit that the Special Revenue, Student Activity Fund has twelve of forty-four accounts with deficit balances totaling \$99,901.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review the controls in place for the Student Activity Fund. Additional controls for approving purchases may be needed as well as timely posting of receipts would improve the ability to know where the balance is at in each of the accounts. In addition, the District should create a workout plan to address the deficit Student Activity Fund account balances.

Response - All gate monies, old class accounts and interest earned have been placed in the general activity fund account. Funds will be disbursed from this account to other activity fund accounts based on anticipated expenses for the year and/or existing deficits. The District hopes to eliminate most deficit accounts in the student activity fund by June 30, 2010, with the goal of eliminating all deficit accounts by the end of June 30, 2011.

Conclusion - Response accepted.

II-M-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will obtain written authorization from each employee who wants to receive a payroll check by mail.

Conclusion - Response accepted.

II-N-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Response - Accounting staff will research all outstanding checks and determine proper action to take for those outstanding for over one year.

Conclusion - Response accepted.

II-O-09 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - This has been resolved with Panora State Bank; the bank is now providing images of both front and back of each cancelled check.

Conclusion - Response accepted.

II-P-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The Board President, through board action, has designated the superintendent and athletic director to stamp officiating contracts on his/her behalf.

Conclusion - Response accepted.

II-Q-09 Check Signatures - We noted during our audit, unauthorized signatures on checks issued by the District. Chapter 291.8 of the Code of Iowa requires Board Secretary to sign all checks. Pursuant to Chapter 291.1 of the Code of Iowa, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in his/her absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - The Board President, through board action, has designated the superintendent and athletic director to sign warrants on his/her behalf.

Conclusion - Response acknowledged. When the Board President designates another person to sign checks on his/her behalf, the designation should be noted in the school board minutes.

II-R-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The District has interest accounts in the Student Activity Fund. It appears that interest earned was not allocated during the year. Interest received in these accounts should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

We noted during our audit that the District has Class of 2006, 2007 and 2008 accounts. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as start up funds for the next incoming class or transferred to another student activity fund accounts to reduce negative balances.

The District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Student Activity Fund. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Currently, the District records Box Top donations in the Student Activity Fund. Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - The District will review the properness of receipts and expenditures recorded in the Student Activity Fund and will follow the suggested recommendations to gain compliance and better internal controls. All gate monies, old class accounts and interest earned have been placed in the general activity fund account. Funds will be disbursed

from this account to other activity fund accounts based on anticipated expenses for the year and/or existing deficits. The District hopes to eliminate most deficit accounts in the student activity fund by June 30, 2010, with the goal of eliminating all deficit accounts by the end of June 30, 2011. Actions will be taken to deposit receipts to the General Fund based on Code of Iowa requirements, including facility rental and Box Top Donations.

Conclusion - Response accepted.

II-S-09 Interfund Loans - We noted during our audit that the District has interfund loans on the balance sheets that have not been subsequently repaid. As of June 30, 2009, the General Fund owes the Local Option Sales Tax(Capital Projects)Fund \$499,384 and the Building Projects(Capital Projects) Fund \$563. The Enterprise, School Nutrition Fund owes the General Fund \$21,336.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should issue anticipatory warrants to repay the interfund loans to be in compliance with the Department of Education declaratory order and Iowa Code Chapter 74.

Response - The District is aware of the declaratory order issued by the Department of Education, but the District feels that with the financial condition of the District and the upcoming 10% cut in funding from the State of Iowa, issuing anticipatory warrants for the General Fund to repay the interfund loans to the Capital Projects Funds would impose unnecessary issuance and origination costs to the District. The District also feels that issuance and origination costs would be unnecessary for the Enterprise, School Nutrition Fund.

Conclusion - Response acknowledged.