

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

JUNE 30, 2010

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Panorama Community School District

Officials

<u>Name</u> <u>Expires</u>	<u>Title</u>	Term
<b>Board of Education (Before September 2009 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>Board of Education (After September 2009 Election)</b>		
Scott Fredrickson	President	2013
Tom Arganbright	Vice President	2011
Bryice Wilke	Board Member	2011
Robert Meinecke	Board Member	2013
Tina Nepstad-Thornberry	Board Member	2013
<b>School Officials</b>		
Kathryn Elliott	Superintendent	2010
Sheila Wooldridge	District Secretary (Resigned)	2010
Sarah Young	District Secretary (Appointed)	2010
Ahlers & Cooney, P.C.	Attorney	2010

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

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3060

Telephone (641) 792-1910

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 the Panorama Community School District, Panora, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ending June 30, 2009 (which are not presented herein) and an unqualified opinion was expressed on those 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 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, 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 31, 2011

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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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,934,165 in fiscal 2009 to \$7,074,096 in fiscal 2010, while General Fund expenditures increased from \$7,307,798 in fiscal 2009 to \$7,613,165 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from a deficit \$148,140 in fiscal 2009 to a deficit \$687,209 in fiscal 2010, a 363.90% decrease from the prior year.
- The increase in General Fund revenues was mainly attributable to increases in federal revenues in fiscal 2010. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- The District received \$450,915 in statewide sales, services and use tax during the year.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net 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 custodian for the benefit of those outside of the School District.

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

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

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

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

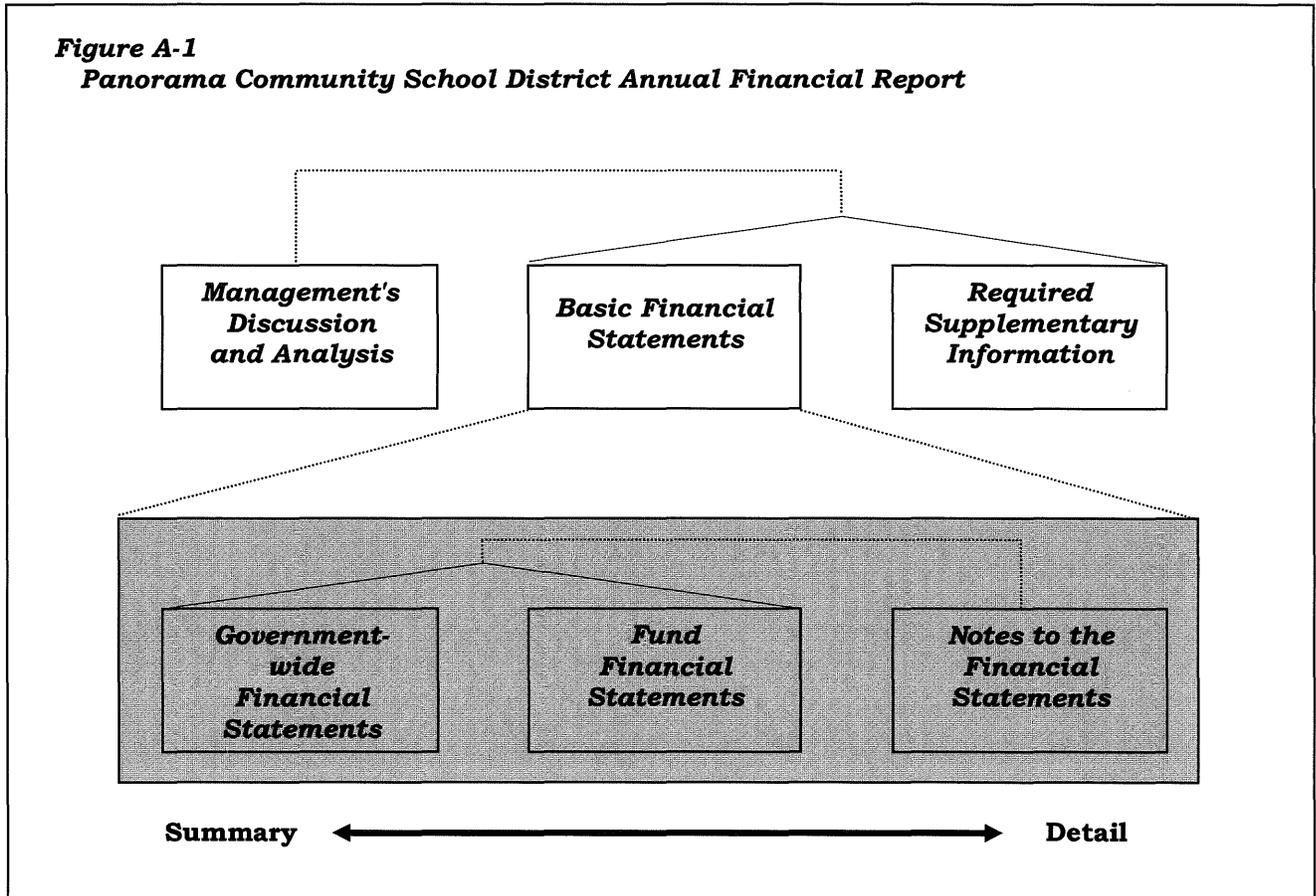


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs 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 net assets</li> <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.

- 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, 2010 compared to June 30, 2009.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 11,223,230	16,119,858	39,622	13,139	11,262,852	16,132,997	-30.19%
Capital assets	12,625,145	7,782,444	27,301	36,507	12,652,446	7,818,951	61.82%
Total assets	23,848,375	23,902,302	66,923	49,646	23,915,298	23,951,948	-0.15%
Long-term obligations	12,375,322	12,826,054	-	-	12,375,322	12,826,054	-3.51%
Other liabilities	6,740,392	6,256,457	59,222	24,690	6,799,614	6,281,147	8.25%
Total liabilities	19,115,714	19,082,511	59,222	24,690	19,174,936	19,107,201	0.35%
Net assets:							
Invested in capital assets, net of related debt	382,537	3,702,051	27,301	36,507	409,838	3,738,558	-89.04%
Restricted	4,991,657	1,197,529	-	-	4,991,657	1,197,529	316.83%
Unrestricted	(641,533)	(79,789)	(19,600)	(11,551)	(661,133)	(91,340)	-623.82%
Total net assets	\$ 4,732,661	4,819,791	7,701	24,956	4,740,362	4,844,747	-2.15%

The District's combined net assets decreased by 2.15% or \$104,385 from 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 \$3,794,128 or 316.83% 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 \$569,793 or 623.82%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4  
Changes of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2009-10
	2010	2009	2010	2009	2010	2009	2009-10
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 607,783	493,354	211,377	201,795	819,160	695,149	17.84%
Operating grants and contributions and restricted interest	1,456,250	1,080,680	155,877	134,669	1,612,127	1,215,349	32.65%
<b>General revenues:</b>							
Property tax	3,774,343	3,541,463	-	-	3,774,343	3,541,463	6.58%
Income Surtax	264,592	276,649	-	-	264,592	276,649	-4.36%
Statewide sales, services and use tax	450,915	481,126	-	-	450,915	481,126	-6.28%
Unrestricted state grants	2,176,075	2,662,186	-	-	2,176,075	2,662,186	-18.26%
Other general revenue	380,596	395,111	293	761	380,889	395,872	-3.78%
<b>Total revenues</b>	<b>9,110,554</b>	<b>8,930,569</b>	<b>367,547</b>	<b>337,225</b>	<b>9,478,101</b>	<b>9,267,794</b>	<b>2.27%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	5,507,661	5,311,348	-	-	5,507,661	5,311,348	3.70%
Support services	2,559,220	2,335,022	-	-	2,559,220	2,335,022	9.60%
Non-instructional programs	-	-	384,802	371,894	384,802	371,894	3.47%
Other expenses	1,130,803	1,363,351	-	-	1,130,803	1,363,351	-17.06%
<b>Total expenses</b>	<b>9,197,684</b>	<b>9,009,721</b>	<b>384,802</b>	<b>371,894</b>	<b>9,582,486</b>	<b>9,381,615</b>	<b>2.14%</b>
Change in net assets	(87,130)	(79,152)	(17,255)	(34,669)	(104,385)	(113,821)	-8.29%
Net assets beginning of year	4,819,791	4,898,943	24,956	59,625	4,844,747	4,958,568	-2.30%
Net assets end of year	\$ 4,732,661	4,819,791	7,701	24,956	4,740,362	4,844,747	-2.15%

In fiscal 2010, local tax and unrestricted state grants account for 73.17% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.92% of the revenue from business type activities.

The District's total revenues were approximately \$9.48 million of which approximately \$9.11 million was for governmental activities and \$0.37 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.27% in revenues and a 2.14% increase in expenses. Property taxes increased \$232,880 to fund increases in expenses. The increases in expenses related to increases in negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$9,110,554 and expenses were \$9,197,684.

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		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 5,507,661	5,311,348	3.70%	3,748,350	4,009,900	-6.52%
Support services	2,559,220	2,335,022	9.60%	2,557,541	2,330,438	9.75%
Other expenses	1,130,803	1,363,351	-17.06%	827,760	1,095,349	-24.43%
Totals	\$ 9,197,684	9,009,721	2.09%	7,133,651	7,435,687	-4.06%

- The cost financed by users of the District's programs was \$607,783.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,456,250.
- The net cost of governmental activities was financed with \$4,038,935 in local tax, \$450,915 in statewide sales, services and use tax, \$2,176,075 in unrestricted state grants, \$226,198 in interest income and \$154,398 in other revenue.

### Business Type Activities

Revenues of the District's business type activities were \$367,547 and expenses were \$384,802. 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 \$4,293,951, below last year's ending fund balances of \$9,681,851. 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 a deficit \$148,140 on June 30, 2009 to a deficit \$687,209 on June 30, 2010. The fluctuation in the District's General Fund financial position is the product of many factors. Increases in the federal 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 \$9,414,091 to \$4,281,141. This decrease was the result of continuing construction costs for improvements to District buildings.
- The Debt Service Fund decreased during the year from \$20,856 to \$19,921.

### Proprietary Fund Highlights

The Enterprise Funds net assets decreased from \$24,956 at June 30, 2009 to \$7,701 at June 30, 2010, representing a decrease of approximately 69.15%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$63,423 less than budgeted revenues, a variance of 0.67%. The most significant variance resulted from the District receiving less in state 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 support services 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, 2010, the District had invested \$12,652,446, 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 61.71% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$565,313.

The original cost of the District's capital assets was \$16,359,826. Governmental funds account for \$16,217,241 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 construction in progress category. Construction in progress totaled \$1,618,290 at June 30, 2009, compared to \$6,955,547 reported at June 30, 2010. The increase was primarily the result of ongoing construction projects during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 207,582	207,582	-	-	207,582	207,582	0.00%
Construction in progress	6,955,547	1,618,290	-	-	6,955,547	1,618,290	329.81%
Buildings	4,845,383	5,050,142	-	-	4,845,383	5,050,142	-4.05%
Improvements other than buildings	213,134	276,415	-	-	213,134	276,415	-22.89%
Machinery and equipment	403,499	630,015	27,301	36,507	430,800	666,522	-35.37%
Total	\$ 12,625,145	7,782,444	27,301	36,507	12,652,446	7,818,951	61.82%

### Long-Term Debt

At June 30, 2010, the District had \$12,375,322 in general obligation bond payable, street assessment payable and other long-term debt outstanding. This represents a decrease of 3.51%

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 \$12,235,000 at June 30, 2010.

The District had total outstanding Street Assessment payable of \$7,608 at June 30, 2010.

The District had total outstanding Compensated Absences payable from the General Fund of \$41,626 at June 30, 2010.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$66,088 at June 30, 2010.

The District had a net OPEB liability of \$25,000 at June 30, 2010.

Figure A-7  
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 12,235,000	12,700,000	-3.66%
Street assessment	7,608	15,220	-50.01%
Early retirement	66,088	65,217	1.34%
Compensated absences	41,626	45,617	-8.75%
Net OPEB liability	25,000	-	100.00%
Totals	\$ 12,375,322	12,826,054	-3.51%

## 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 began July 1, 2007.
- 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.

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## **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, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,606,815	35,887	5,642,702
Receivables:			
Property tax:			
Delinquent	48,507	-	48,507
Succeeding year	4,437,276	-	4,437,276
Income surtax	276,083	-	276,083
Interfund	537,074	-	537,074
Accounts	949	-	949
Due from other governments	316,526	-	316,526
Inventories	-	3,735	3,735
Capital assets, net of accumulated depreciation	12,625,145	27,301	12,652,446
<b>Total Assets</b>	<b>23,848,375</b>	<b>66,923</b>	<b>23,915,298</b>
<b>Liabilities</b>			
Interfund payable	501,139	33,936	535,075
Accounts payable	899,308	-	899,308
Salaries and benefits payable	754,623	21,887	776,510
Accrued interest payable	87,196	-	87,196
Deferred revenue:			
Succeeding year property tax	4,437,276	-	4,437,276
Other	60,850	-	60,850
Unearned revenue	-	3,399	3,399
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	475,000	-	475,000
Street assessment	7,608	-	7,608
Early retirement	47,295	-	47,295
Compensated absences	41,626	-	41,626
Portion due after one year:			
General obligation bonds	11,760,000	-	11,760,000
Early retirement	18,793	-	18,793
Net OPEB liability	25,000	-	25,000
<b>Total Liabilities</b>	<b>19,115,714</b>	<b>59,222</b>	<b>19,174,936</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	382,537	27,301	409,838
Restricted for:			
Categorical funding	76,585	-	76,585
Management levy	142,960	-	142,960
Physical plant and equipment levy	447,965	-	447,965
Capital projects	4,281,141	-	4,281,141
Debt service	19,921	-	19,921
Other special revenue purposes	23,085	-	23,085
Unrestricted	(641,533)	(19,600)	(661,133)
<b>Total Net Assets</b>	<b>\$ 4,732,661</b>	<b>7,701</b>	<b>4,740,362</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,994,008	310,188	945,666	(2,738,154)	-	(2,738,154)
Special instruction	867,302	38,888	131,608	(696,806)	-	(696,806)
Other instruction	646,351	258,707	74,254	(313,390)	-	(313,390)
	<u>5,507,661</u>	<u>607,783</u>	<u>1,151,528</u>	<u>(3,748,350)</u>	<u>-</u>	<u>(3,748,350)</u>
Support services:						
Student	139,366	-	-	(139,366)	-	(139,366)
Instructional staff	254,823	-	-	(254,823)	-	(254,823)
Administration	748,962	-	-	(748,962)	-	(748,962)
Operation and maintenance of plant	637,600	-	-	(637,600)	-	(637,600)
Transportation	778,469	-	1,679	(776,790)	-	(776,790)
	<u>2,559,220</u>	<u>-</u>	<u>1,679</u>	<u>(2,557,541)</u>	<u>-</u>	<u>(2,557,541)</u>
Other expenditures:						
Long-term debt interest	542,826	-	-	(542,826)	-	(542,826)
AEA flowthrough	303,043	-	303,043	-	-	-
Depreciation(unallocated)*	284,934	-	-	(284,934)	-	(284,934)
	<u>1,130,803</u>	<u>-</u>	<u>303,043</u>	<u>(827,760)</u>	<u>-</u>	<u>(827,760)</u>
Total governmental activities	<u>9,197,684</u>	<u>607,783</u>	<u>1,456,250</u>	<u>(7,133,651)</u>	<u>-</u>	<u>(7,133,651)</u>
Business Type activities:						
Non-instructional programs:						
Nutrition services	384,802	211,377	155,877	-	(17,548)	(17,548)
Total	<u>\$ 9,582,486</u>	<u>819,160</u>	<u>1,612,127</u>	<u>(7,133,651)</u>	<u>(17,548)</u>	<u>(7,151,199)</u>
<b>General Revenues</b>						
Local tax for:						
General purposes				\$ 2,876,073	-	2,876,073
Debt service				554,422	-	554,422
Capital outlay				343,848	-	343,848
Income surtax				264,592	-	264,592
Statewide sales, services and use tax				450,915	-	450,915
Unrestricted state grants				2,176,075	-	2,176,075
Unrestricted investment earnings				226,198	293	226,491
Other general revenue				154,398	-	154,398
Total general revenues				<u>7,046,521</u>	<u>293</u>	<u>7,046,814</u>
Changes in net assets				(87,130)	(17,255)	(104,385)
Net assets beginning of year				4,819,791	24,956	4,844,747
Net assets end of year				<u>\$ 4,732,661</u>	<u>7,701</u>	<u>4,740,362</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, 2010

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments:	\$ 621,975	4,293,504	13,464	677,872	5,606,815
Receivables:					
Property tax:					
Delinquent	35,406	-	6,457	6,644	48,507
Succeeding year	3,395,448	-	554,905	486,923	4,437,276
Income surtax	276,083	-	-	-	276,083
Due from other funds	35,935	501,139	-	-	537,074
Accounts	949	-	-	-	949
Due from other governments	177,668	138,858	-	-	316,526
<b>Total Assets</b>	<b>\$ 4,543,464</b>	<b>4,933,501</b>	<b>574,826</b>	<b>1,171,439</b>	<b>11,223,230</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Due to other funds	\$ 501,139	-	-	-	501,139
Accounts payable	242,530	652,360	-	4,418	899,308
Salaries and benefits payable	754,623	-	-	-	754,623
Deferred revenue:					
Succeeding year property tax	3,395,448	-	554,905	486,923	4,437,276
Income surtax	276,083	-	-	-	276,083
Other	60,850	-	-	-	60,850
<b>Total liabilities</b>	<b>5,230,673</b>	<b>652,360</b>	<b>554,905</b>	<b>491,341</b>	<b>6,929,279</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Categorical funding	76,585	-	-	-	76,585
Debt service	-	-	19,921	-	19,921
Unreserved	(763,794)	4,281,141	-	680,098	4,197,445
<b>Total fund balances</b>	<b>(687,209)</b>	<b>4,281,141</b>	<b>19,921</b>	<b>680,098</b>	<b>4,293,951</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,543,464</b>	<b>4,933,501</b>	<b>574,826</b>	<b>1,171,439</b>	<b>11,223,230</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, 2010

<b>Total fund balances of governmental funds(page 20)</b>	\$	4,293,951
 <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.		12,625,145
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		276,083
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.		(87,196)
Long-term liabilities, including bonds payable, compensated absences, early retirement, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(12,375,322)</u>
 <b>Net assets of governmental activities(page 18)</b>	 \$	 <u><u>4,732,661</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, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 2,936,051	450,915	554,422	543,389	4,484,777
Tuition	299,310	-	-	-	299,310
Other	219,982	206,765	-	275,292	702,039
State sources	2,959,868	-	301	301	2,960,470
Federal sources	657,685	-	-	-	657,685
Total revenues	7,072,896	657,680	554,723	818,982	9,104,281
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	3,881,837	-	-	71,967	3,953,804
Special	864,790	-	-	-	864,790
Other	403,527	-	-	241,791	645,318
	5,150,154	-	-	313,758	5,463,912
Support services:					
Student	138,548	-	-	-	138,548
Instructional staff	231,606	-	-	25,887	257,493
Administration	745,782	-	-	922	746,704
Operation and maintenance of plant	507,485	-	-	112,666	620,151
Transportation	536,547	-	-	59,526	596,073
	2,159,968	-	-	199,001	2,358,969
Other expenditures:					
Facilities acquisitions	-	5,336,960	-	12,795	5,349,755
Long-term debt:					
Principal	-	-	472,612	-	472,612
Interest	-	-	545,090	-	545,090
AEA flowthrough	303,043	-	-	-	303,043
	303,043	5,336,960	1,017,702	12,795	6,670,500
Total expenditures	7,613,165	5,336,960	1,017,702	525,554	14,493,381
Excess(deficiency) of revenues over(under) expenditures	(540,269)	(4,679,280)	(462,979)	293,428	(5,389,100)
Other financing sources(uses):					
Transfers in	-	-	462,044	-	462,044
Transfers out	-	(453,670)	-	(8,374)	(462,044)
Sale of equipment	1,200	-	-	-	1,200
Total other financing sources(uses)	1,200	(453,670)	462,044	(8,374)	1,200
Net change in fund balances	(539,069)	(5,132,950)	(935)	285,054	(5,387,900)
Fund balances beginning of year	(148,140)	9,414,091	20,856	395,044	9,681,851
Fund balances end of year	\$ (687,209)	4,281,141	19,921	680,098	4,293,951

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, 2010

**Net change in fund balances - total governmental funds(page 22)** \$ (5,387,900)

*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, depreciation expense and gain on asset disposal are as follows:

Capital outlays	\$ 5,398,808	
Depreciation expense	<u>(556,107)</u>	4,842,701

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: 472,612

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. 2,264

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 5,073

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	\$ 3,991	
Early retirement	(871)	
Other postemployment benefits	<u>(25,000)</u>	<u>(21,880)</u>

**Changes in net assets of governmental activities(page 19)** \$ (87,130)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2010

	Business Type Activities: Enterprise Fund School Nutrition
Assets	
Cash and cash equivalents	\$ 35,887
Inventories	3,735
Capital assets, net of accumulated depreciation	27,301
Total assets	<u>66,923</u>
Liabilities	
Interfund payable	33,936
Salaries and benefits payable	21,887
Unearned revenue	3,399
Total Liabilities	<u>59,222</u>
Net Assets	
Invested in capital assets	27,301
Unrestricted	(19,600)
Total Net Assets	<u>\$ 7,701</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, 2010

	Business Type Activities: Enterprise Fund
	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 211,377
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	105,412
Benefits	32,983
Services	3,197
Supplies	232,168
Other	1,836
Depreciation	9,206
TOTAL OPERATING EXPENSES	384,802
OPERATING LOSS	(173,425)
NON-OPERATING REVENUES:	
State sources	3,680
Federal sources	152,197
Interest income	293
TOTAL NON-OPERATING REVENUES	156,170
Change in net assets	(17,255)
Net assets beginning of year	24,956
Net assets end of year	\$ 7,701

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2010

	Business Type Activities: Enterprise Fund
	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 211,410
Cash payments to employees for services	(137,831)
Cash payments to suppliers for goods or services	(207,481)
Net cash provided by used in operating activities	<u>(133,902)</u>
Cash flows from non-capital financing activities:	
Transfer from general fund	12,599
State grants received	3,680
Federal grants received	124,431
Net cash provided by non-capital financing activities	<u>140,710</u>
Cash flows from investing activities:	
Interest on investments	<u>293</u>
Net increase in cash and cash equivalents	7,101
Cash and cash equivalents at beginning of year	<u>28,786</u>
Cash and cash equivalents at end of year	<u>\$ 35,887</u>
Reconciliation of operating loss to net cash provided by used in operating activities:	
Operating loss	\$ (173,425)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	27,766
Depreciation	9,206
Decrease in inventories	1,954
Increase in salaries and benefits payable	564
Increase in unearned revenue	33
Net cash used in operating activities	<u>\$ (133,902)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$27,766.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2010

	<u>Private Purpose Trust Funds</u>
Assets	
Cash and pooled investments	<u>\$        147,154</u>
Liabilities	
Due to other funds	<u>                  2,000</u>
Net Assets	
Reserved for scholarships	<u><u>\$        145,154</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, 2010

	<u>Private Purpose Trust</u>
Additions:	
Interest	<u>\$ 5,041</u>
Deductions:	
Other enterprise operations:	
Scholarships	<u>8,586</u>
Change in net assets	(3,545)
Net assets beginning of year	<u>148,699</u>
Net assets end of year	<u><u>\$ 145,154</u></u>

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 attributable to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net assets* consist of net assets 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 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's proprietary fund 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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
Intangibles	25,000
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	50 years
Land improvements	20-50 years
Intangibles	5-15 years
Machinery and equipment	5-15 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, 2010. 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, 2010, expenditures in the support services function exceeded the amount budgeted.

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

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,991,191 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, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	School Nutrition	\$ 33,935
General	Private Purpose Trust	2,000
Capital Projects: Statewide Sales, Services and Use Tax	General	499,384
Capital Projects: GO Bond Construction	General	<u>1,755</u>
Total		<u>\$ 537,074</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.

The interfund loans between the General Fund and the Enterprise, School Nutrition Fund, the Private Purpose Trust, and the two Capital Projects Funds have not been subsequently repaid. The District is aware of the interfund loans and realizes 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, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 8,374
Debt Service	Capital Projects	<u>453,670</u>
		<u>\$ 462,044</u>

The Capital Projects 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.

**(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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District 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. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated on a daily basis upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate 4.50%. During the year ended June 30, 2010 the District had no borrowings or repayments.

During the year ended June 30, 2010, the District paid \$6,751 of interest on the ISCAP warrants.

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 207,582	-	-	207,582
Construction in progress	1,618,290	5,337,257	-	6,955,547
Total capital assets not being depreciated	1,825,872	5,337,257	-	7,163,129
Capital assets being depreciated:				
Buildings	7,121,252	16,894	-	7,138,146
Land improvements	616,941	-	-	616,941
Machinery and equipment	1,254,368	44,657	-	1,299,025
Total capital assets being depreciated	8,992,561	61,551	-	9,054,112
Less accumulated depreciation for:				
Buildings	2,071,110	221,653	-	2,292,763
Land improvements	340,526	63,281	-	403,807
Machinery and equipment	624,353	271,173	-	895,526
Total accumulated depreciation	3,035,989	556,107	-	3,592,096
Total capital assets being depreciated, net	5,956,572	(494,556)	-	5,462,016
Governmental activities capital assets, net	\$ 7,782,444	4,842,701	-	12,625,145

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 142,585	-	-	142,585
Less accumulated depreciation	106,078	9,206	-	115,284
Business type activities capital assets, net	\$ 36,507	(9,206)	-	27,301

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 32,541
Support services:			
Instructional staff			8,135
Administration			21,694
Operation and maintenance			27,117
Transportation			181,686
			271,173
Unallocated depreciation			284,934
			\$ 556,107
Business type activities:			
Food services			\$ 9,206

## (7) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 12,700,000	-	465,000	12,235,000	475,000
Street assessment	15,220	-	7,612	7,608	7,608
Early Retirement	65,217	37,585	36,714	66,088	47,295
Compensated Absences	45,617	41,626	45,617	41,626	41,626
Net OPEB liability	-	25,000	-	25,000	-
Total	\$ 12,826,054	104,211	554,943	12,375,322	571,529

### 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, 2010 are as follows:

Year Ending June 30,	Assessment June 30, 2000			
	Interest Rates	Principal	Interest	Total
2011	5.00 %	\$ 7,608	379	7,987

## General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue August 1, 2003			Bond Issue December 1, 2007			Bond Issue June 1, 2008			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2011	3.10	% \$ 400,000	81,710	4.00	% \$ 75,000	19,032	-	% \$ -	427,963	\$ 475,000	528,705	1,003,705
2012	3.25	410,000	69,310	3.55	80,000	16,032	-	-	427,963	490,000	513,305	1,003,305
2013	3.35	430,000	55,985	3.60	85,000	13,192	-	-	427,963	515,000	497,140	1,012,140
2014	3.50	440,000	41,580	3.65	85,000	10,132	-	-	427,963	525,000	479,675	1,004,675
2015	3.60	460,000	26,180	3.70	90,000	7,030	-	-	427,963	550,000	461,173	1,011,173
2016-2020	3.70	260,000	9,620	3.70	100,000	3,700	5.00	2,745,000	1,915,061	3,105,000	1,928,381	5,033,381
2021-2026	-	-	-	-	-	-	4.25-5.00	4,715,000	1,219,361	4,715,000	1,219,361	5,934,361
2027-2028	-	-	-	-	-	-	4.25-4.30	1,860,000	120,375	1,860,000	120,375	1,980,375
		<u>\$ 2,400,000</u>	<u>284,385</u>		<u>\$ 515,000</u>	<u>69,118</u>		<u>\$ 9,320,000</u>	<u>5,394,612</u>	<u>\$ 12,235,000</u>	<u>5,748,115</u>	<u>17,983,115</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, 2010 totaled \$36,714.

### **(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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$309,336, \$282,069 and \$243,667 respectively, equal to the required contributions for each year.

### **(9) Other Postemployment Benefits (OPEB)**

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 110 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 55,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>55,000</u>
Contributions made	<u>(30,000)</u>
Increase in net OPEB obligation	25,000
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 25,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$30,000 to the medical plan. Plan members eligible for benefits contributed \$53,000 or 63.86% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 55,000	54.55%	\$ 25,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$498,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$498,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,666,062 and the ratio of the UAAL to covered payroll was 13.6%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as

expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members to include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%, The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$793 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(10) 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.

#### **(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$303,043 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **(12) Construction Commitment**

As of June 30, 2010, costs of \$6,955,547 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.

#### **(13) Deficit Fund Balance/Net Assets**

The General Fund had a deficit unreserved undesignated fund balance of \$763,794. The Enterprise, Nutrition Fund had a deficit unreserved undesignated fund balance of \$19,600. The District also had a deficit unrestricted net assets balance in the governmental activities of \$641,533.

#### **(14) 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, 2010, expenditures in the support services function exceeded the budgeted amount.

**(15) Categorical Funding**

The District's ending balances for state categorical funding by project as of the year ended June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 50,857
Limited english proficient	3,807
Salary improvement program	647
Beginning teacher mentoring	3,955
Professional development for model core curriculum	15,055
Professional development	<u>2,264</u>
Total	<u>\$ 76,585</u>

## **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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 5,486,126	211,670	5,697,796	5,393,738	5,393,738	304,058
State sources	2,960,470	3,680	2,964,150	3,743,513	3,743,513	(779,363)
Federal sources	657,685	152,197	809,882	398,000	398,000	411,882
Total revenues	9,104,281	367,547	9,471,828	9,535,251	9,535,251	(63,423)
<b>Expenditures/expenses:</b>						
Instruction	5,463,912	-	5,463,912	5,623,665	5,623,665	159,753
Support services	2,358,969	-	2,358,969	2,356,000	2,356,000	(2,969)
Non-instructional programs	-	384,802	384,802	429,800	429,800	44,998
Other expenditures	6,670,500	-	6,670,500	7,238,224	7,238,224	567,724
Total expenditures/expenses	14,493,381	384,802	14,878,183	15,647,689	15,647,689	769,506
Excess (deficiency) of revenues (over) under expenditures/expense	(5,389,100)	(17,255)	(5,406,355)	(6,112,438)	(6,112,438)	706,083
Other financing sources (uses), net	1,200	-	1,200	458,670	458,670	(457,470)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(5,387,900)	(17,255)	(5,405,155)	(5,653,768)	(5,653,768)	248,613
Balances beginning of year	9,681,851	24,956	9,706,807	6,447,663	6,447,663	3,259,144
Balances end of year	\$ 4,293,951	7,701	4,301,652	793,895	793,895	3,507,757

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, District expenditures in the support services function exceeded the amount budgeted.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 498,000	\$ 498,000	0.0%	\$ 3,666,062	13.6%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **Other Supplementary Information**

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	Special Revenue Funds			
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total Special Revenue
<b>Assets</b>				
Cash and pooled investments	\$ 23,085	207,403	447,384	677,872
Receivables:				
Property tax:				
Delinquent	-	2,639	4,005	6,644
Succeeding year	-	100,001	386,922	486,923
<b>Total assets</b>	<b>\$ 23,085</b>	<b>310,043</b>	<b>838,311</b>	<b>1,171,439</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	994	3,424	4,418
Deferred revenue:				
Succeeding year property tax	-	100,001	386,922	486,923
<b>Total liabilities</b>	<b>-</b>	<b>100,995</b>	<b>390,346</b>	<b>491,341</b>
Fund balances:				
Unreserved	23,085	209,048	447,965	680,098
<b>Total liabilities and fund balances</b>	<b>\$ 23,085</b>	<b>310,043</b>	<b>838,311</b>	<b>1,171,439</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, 2010

	Special Revenue Funds			
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total Special Revenue
REVENUES:				
Local sources:				
Local tax	\$ -	199,541	343,848	543,389
Other	259,924	-	15,368	275,292
State sources	-	114	187	301
TOTAL REVENUES	259,924	199,655	359,403	818,982
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	36,713	35,254	71,967
Other	241,791	-	-	241,791
Support services:				
Instructional staff	-	-	25,887	25,887
Administration	-	-	922	922
Operation and maintenance of plant	-	112,369	297	112,666
Student transportation	-	13,291	46,235	59,526
Other expenditures:				
Facilities acquisitions	-	-	12,795	12,795
TOTAL EXPENDITURES	241,791	162,373	121,390	525,554
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	18,133	37,282	238,013	293,428
OTHER FINANCING USES:				
Transfer out	-	-	(8,374)	(8,374)
NET CHANGE IN FUND BALANCE	18,133	37,282	229,639	285,054
FUND BALANCES BEGINNING OF YEAR	4,952	171,766	218,326	395,044
FUND BALANCES END OF YEAR	\$ 23,085	209,048	447,965	680,098

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,295	-	-	1,295
Dare	-	1,217	565	652
Speech	(1,804)	3,796	1,172	820
Volleyball	(12,427)	26,409	13,972	10
Track	(2,237)	25,890	13,140	10,513
Cross Country	5,107	2,570	3,193	4,484
Golf	(1,870)	6,682	4,802	10
Basketball	17,846	148	15,447	2,547
Boys Basketball	2,530	10,010	7,617	4,923
Football	(36,842)	18,298	30,917	(49,461)
Baseball & softball	(17,327)	47,582	30,170	85
Jr high softball & baseball	116	-	66	50
Wrestling	(10,987)	14,617	3,620	10
Athletics	21,294	7,512	8,117	20,689
Spanish club	882	-	882	-
Tag	98	-	98	-
Student Council	2,814	2,453	3,540	1,727
MS student council	2,875	3,735	4,312	2,298
FCCLA	424	3,394	3,451	367
O-M	-	9,902	9,440	462
FFA	798	29,665	25,894	4,569
Panther greenhouse	(1,098)	1,517	361	58
Panther productions	395	38	100	333
Physics	10	-	10	-
MS science club	225	-	225	-
FCA	82	-	82	-
Art club	1,151	2,179	3,283	47
Annual	(13,324)	12,088	10,067	(11,303)
Drill Team	(1,672)	5,127	4,955	(1,500)
Cheerleaders	1,401	1,946	3,060	287
Wrestling cher	(199)	199	-	-
Flags	(114)	324	210	-
Technology student association	1,003	-	1,003	-
Panthers for prevention	1,071	83	306	848
Class of 2006	200	-	200	-
Class of 2007	668	-	668	-
Class of 2008	1,334	-	1,334	-
Class of 2009	3,502	-	3,502	-
Class of 2010	6,687	613	7,300	-
Class of 2011	5,263	6,734	7,214	4,783
Class of 2012	3,350	-	-	3,350
Class of 2013	1,135	-	-	1,135
Class of 2014	243	-	-	243
Elementary	16,602	12,934	12,001	17,535
General	103	2,262	1,146	1,219
Interest	4,349	-	4,349	-
<b>Total</b>	<b>\$ 4,952</b>	<b>259,924</b>	<b>241,791</b>	<b>23,085</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET FOR CAPITAL PROJECTS FUND  
 JUNE 30, 2010

	Capital Project Funds		
	GO Bond Construction	Statewide Sales, Services and Use Tax	Total Capital Projects
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,155,237	138,267	4,293,504
Interfund receivable	1,755	499,384	501,139
Due from other governments	-	138,858	138,858
<b>TOTAL ASSETS</b>	<b>\$ 4,156,992</b>	<b>776,509</b>	<b>4,933,501</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 652,360	-	652,360
<b>Fund balances:</b>			
Unreserved	3,504,632	776,509	4,281,141
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,156,992</b>	<b>776,509</b>	<b>4,933,501</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, 2010

	Capital Project Funds		
	GO Bond Construction	Statewide Sales and Services Tax	Total Capital Projects
REVENUES:			
Local sources:			
Local tax	\$ -	450,915	450,915
Other	206,765	-	206,765
Total revenues	206,765	450,915	657,680
EXPENDITURES:			
Other expenditures:			
Facilities acquisitions	5,336,960	-	5,336,960
Excess(Deficiency) of revenues over(under) expenditures	(5,130,195)	450,915	(4,679,280)
OTHER FINANCING SOURCES(USES):			
Transfers out	-	(453,670)	(453,670)
Net change in fund balances	(5,130,195)	(2,755)	(5,132,950)
Fund balance beginning year	8,634,827	779,264	9,414,091
Fund balance end of year	\$ 3,504,632	776,509	4,281,141

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:									
Local sources:									
Local tax	\$ 4,484,777	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	299,310	242,810	247,834	192,374	207,560	138,240	133,219	152,608	166,501
Other	702,039	647,675	426,889	441,007	336,040	329,364	296,759	233,609	252,527
State sources	2,960,470	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	657,685	270,123	203,754	632,518	227,920	237,361	241,449	233,061	214,368
<b>Total</b>	<b>\$ 9,104,281</b>	<b>8,927,821</b>	<b>8,265,232</b>	<b>8,366,417</b>	<b>7,039,216</b>	<b>6,242,636</b>	<b>6,045,364</b>	<b>6,086,176</b>	<b>5,838,890</b>
Expenditures:									
Current:									
Instruction:									
Regular	\$ 3,953,804	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	864,790	859,150	737,691	725,689	650,137	721,446	668,486	633,169	686,312
Other	645,318	859,248	827,814	730,338	694,011	489,614	495,735	454,290	436,144
Support services:									
Student	138,548	161,188	155,203	143,624	149,757	132,387	112,572	108,543	108,282
Instructional staff	257,493	234,925	251,045	194,186	175,573	160,567	152,946	115,890	126,671
Administration	746,704	716,889	691,361	649,260	566,893	494,065	460,704	497,602	484,179
Operation and maintenance of plant	620,151	578,408	588,541	559,253	515,332	424,253	556,604	458,926	417,764
Transportation	596,073	640,380	807,995	448,724	506,324	381,046	351,189	315,437	284,188
Non-instructional programs	0	0	38,960	17,891	15,771	14,686	0	113	0
Other expenditures:									
Facilities acquisitions	5,349,755	759,352	1,531,655	260,849	100,534	95,157	344,813	52,603	59,289
Long-term debt:									
Principal	472,612	457,612	370,000	365,000	270,000	255,000	240,000	230,000	350,410
Interest	545,090	533,124	111,705	119,005	328,156	344,742	384,697	256,776	275,818
AEA flow-through	303,043	268,002	245,109	240,115	224,732	203,470	200,632	214,926	210,701
<b>Total</b>	<b>\$ 14,493,381</b>	<b>9,686,703</b>	<b>9,528,595</b>	<b>7,610,017</b>	<b>7,125,089</b>	<b>6,331,471</b>	<b>6,433,371</b>	<b>5,930,150</b>	<b>5,848,252</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	\$ 133,893 *
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	<u>18,304</u>
			<u>152,197</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	FY 10	65,299
TITLE I BASIC LEA GRANTS STABILIZATION	84.389	FY 10	<u>7,738</u>
			<u>73,037</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATES GRANTS	84.186	FY 10	<u>1,976</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>37,746</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 09	1,607
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 10	<u>5,616</u>
			<u>7,223</u>
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>350,307</u>
AREA EDUCATION AGENCY 267: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>4,829</u>
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	41,524
SPECIAL EDUCATION - GRANTS TO STATES (PART B - SECTION 611)	84.391	FY 10	<u>90,084</u>
			<u>131,608</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	FY 10	<u>23,689</u>
TOTAL			<u>\$ 782,612</u>

\* Includes \$27,766 of non-cash rewards

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Panorama Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

## **Certified Public Accountants**

(a professional corporation)

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 31, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10, II-C-10, and II-D-10 to be significant deficiencies.

## 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 and Questioned Costs. 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 31, 2011

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

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Panorama Community School District

#### Compliance

We have audited the compliance of Panorama Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Panorama Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Panorama Community School District's management. Our responsibility is to express an opinion on Panorama Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Panorama Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Panorama Community School District's compliance with those requirements.

In our opinion, Panorama Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

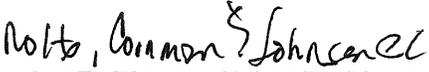
The management of Panorama Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Panorama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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Panorama Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 31, 2011

PANORAMA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - Nutrition Cluster:
      - CFDA Number 10.553 - School Breakfast Program
      - CFDA Number 10.555 - National School Lunch Program
  - Individual programs:
    - CFDA Number 84.394 - State Fiscal Stabilization Fund - Education State Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Panorama Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - The district has hired a new Administrative Assistant who now opens the mail and documents all cash receipts in the receipt book. The Business Manager will enter the

receipts into the accounting software and prepare the deposit. The Administrative Assistant will review the deposit for accuracy and deliver it to the bank.

Conclusion - Response accepted.

II-B-10 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 Activity Director requires all non-certified staff who also coach to keep a timesheet. These timesheets will be turned into the Business Manager at the end of each season.

Conclusion - Response accepted.

II-C-10 Supporting Documents for Meal Reimbursements - During our audit we noted two instances of meal reimbursements which lacked a detailed receipt for supporting documentation.

Recommendation - The District has a policy in place stating that employees seeking reimbursement must turn in detailed receipts for all actual and necessary travel expenses. The District should follow their policy and require receipts before expenses are reimbursed.

Response - A new procedural manual was distributed to staff outlining procedures for reimbursement. The Business Manager will ensure that proper documentation is received prior to issuing reimbursement.

Conclusion - Response accepted.

II-D-10 Activity Fund Accounts Payable Procedures - It was noted that the District is writing checks to "cash" for start up money and payments to students for working concessions.

Recommendation - The District should review its procedures to ensure that they are not issuing checks to "cash." When issued to cash these checks become bearer paper. Instead the District should issue the money to a cash custodian when they need cash for start up money. The payments to students for working the concession stand needs to be run through the District's payroll process.

Response - Checks will not be issued to cash. The district will identify cash custodians to distribute any cash to students. The District will pay these students through payroll.

Conclusion - Response accepted.

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2010  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.394:ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,  
Recovery Act  
Federal Award Year: 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-10 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 - The district has hired a new Administrative Assistant who now opens the mail and documents all cash receipts in the receipt book. The Business Manager will enter the receipts into the accounting software and prepare the deposit. The Administrative Assistant will review the deposit for accuracy and deliver it to the bank.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - During the year ended June 30, 2010, expenditures in the support services 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 - The district is now monitoring the certified budget on a monthly basis with the board using a financial statement that shows actual expenditures compared to the amount budgeted. The budget will be amended before disbursements are allowed to exceed the budget.

Conclusion - Response accepted.

IV-B-10 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.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joel Hester, Bus Driver Owns J & J Meats	Supplies	\$1,139
Scott Calmer, Bus Driver Owns Scott's Outdoor Supply	Supplies	\$17,365

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.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - Meeting minutes were being submitted to the newspaper in a timely manner, but the newspaper was not publishing the minutes in a timely manner. The Business Manager has contacted the newspaper and minutes are now being published within two weeks.

Conclusion - Response accepted.

IV-G-10 Certified Enrollment - We noted that the number of open enrolled out students reported to the Iowa Department of Education on Line 2 of the Certified Enrollment Certification Form for October 2009 was understated by 0.1 students. The District did not count one dual home school student when they submitted their report.

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

Response - The District has contacted the Department of Education and the Department of Management to correct the October 2009 certified enrollment.

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance	\$ -
Statewide sales, services and use tax revenue	<u>450,915</u>
Expenditures/transfers out:	
Debt service for school infrastructure:	
General obligation debt	<u>450,915</u>
Ending Balance	<u><u>\$ -</u></u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.76426	450,915

IV-M-10 Financial Condition - We noted during our audit that the General Fund had deficit unrestricted net assets of \$763,794. The School Nutrition Fund had deficit unrestricted net assets of \$19,600. The District also had deficit net assets in the governmental activities of \$641,533. We also noted during our audit that the Special Revenue, Student Activity Fund has several accounts with deficit balances totaling \$62,264.

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 - The district has increased income through property tax and decreased expenditures by budget cuts for the 2010-11 school year. The Activity Director and Secretary are now responsible for monitoring the fund balances of the student activity fund. They also have developed a work out plan to have all activity fund balances in the black by the end of fiscal year 2011.

Conclusion - Response accepted.

IV-N-10 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 has mandated electronic payroll so all employee checks are now direct deposit. Those who do not have bank accounts for direct deposit have signed the paycheck authorization form.

Conclusion - Response accepted.

IV-O-10 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 - All outstanding checks have been cleared from the bank reconciliation.

Conclusion - Response accepted.

IV-P-10 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 now signs all contracts issued by the district.

Conclusion - Response accepted.

IVQ-10 Check Signatures - We noted during our audit, unauthorized signatures on checks issued by the District. We also noted instances of checks with only one signature on the checks. 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 new Business Manager no longer allows this practice.

Conclusion - Response accepted.

IV-R-10 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:

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 Business Manager and Activity Secretary jointly monitor where funds are placed to ensure appropriate distribution. Donations are now deposited in the appropriate fund.

Conclusion - Response accepted.

IV-S-10 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, 2010, the General Fund owes the Statewide Sales, Services and Use Tax(Capital Projects)Fund \$499,384 and the Building Projects(Capital Projects) Fund \$1,755. The Enterprise, School Nutrition Fund owes the General Fund \$33,935. The Private Purpose Trust Fund owes the General Fund \$2,000.

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 - All interfund loans will be repaid by the end of fiscal year 2011.

Conclusion - Response accepted.