

PANORAMA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Panorama Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2011 Election)</b>		
Bryice Wilke	President	2011
Tina Nepstad-Thornberry	Vice President	2013
Scott Fredrickson	Board Member	2013
Robert Meinecke	Board Member	2013
Tom Arganbright	Board Member	2011
<b>(After September 2011 Election)</b>		
Bryice Wilke	President	2015
Tina Nepstad-Thornberry	Vice President	2013
Scott Fredrickson	Board Member	2013
Robert Meinecke	Board Member	2013
Tom Arganbright	Board Member	2015
<b>School Officials</b>		
Kathryn Elliot	Superintendent	2012
Sarah Young	Board Secretary/Treasurer	2012
Ahlers & Cooney, P.C.	Attorney	2012

**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 Panorama Community School District, Panora, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Panorama Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 three years ending June 30, 2011 (which are not presented herein) and expressed unqualified opinions 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 six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, professional style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 4, 2013

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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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,921,535 in fiscal 2011 to \$8,073,171 in fiscal 2012, while General Fund expenditures increased from \$7,053,886 in fiscal 2011 to \$7,277,237 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$180,440 in fiscal 2011 to \$976,374 in fiscal 2012, a 441.11% increase from the prior year.
- The increase in General Fund revenues was mainly attributable to increases in local tax and state sources of revenue in fiscal 2012. The increase in expenditures was due primarily to increased instructional spending during the year.
- The District received \$582,002 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.

Supplementary Information provides detailed information about the nonmajor governmental funds as well as the Capital Projects Accounts.

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

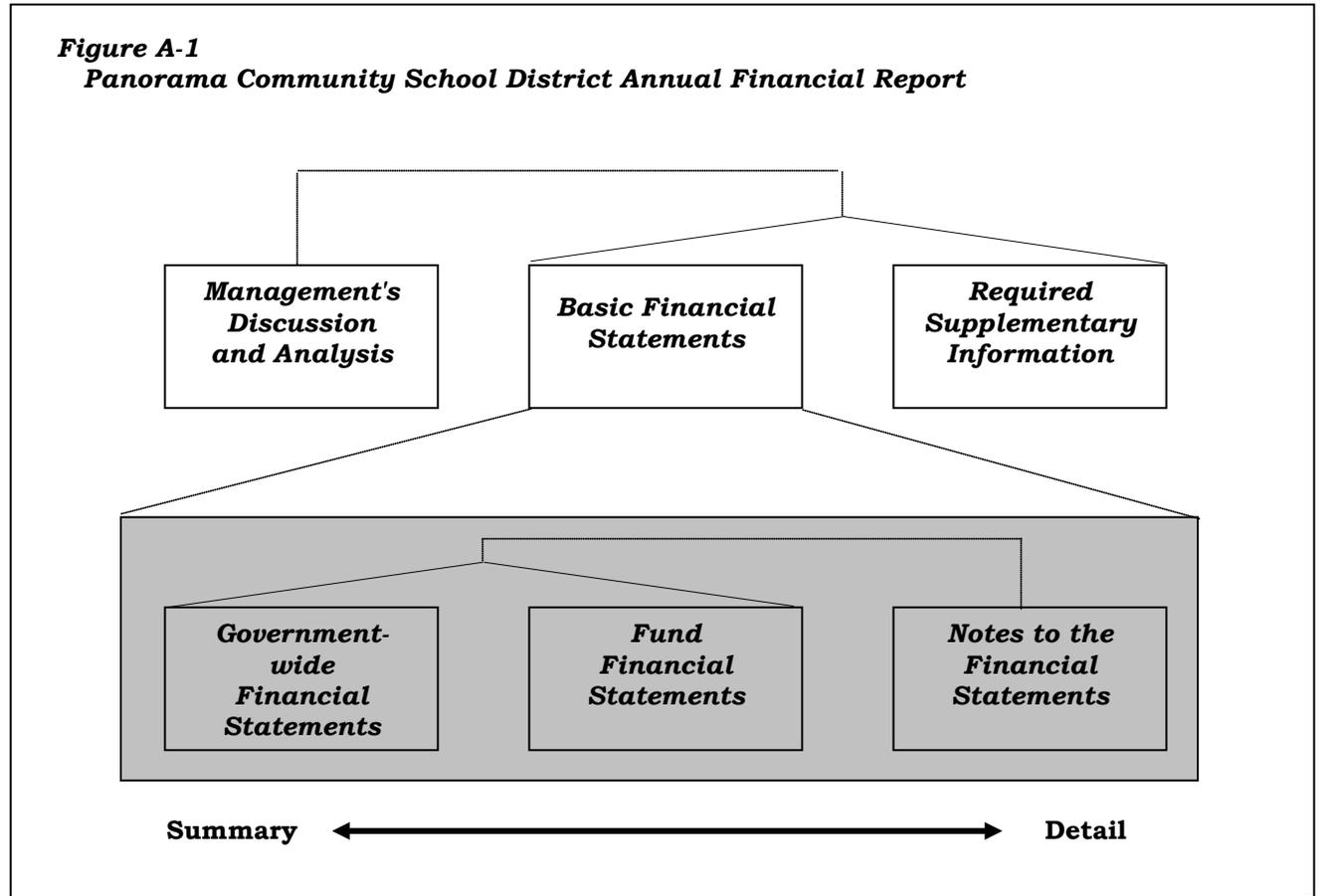


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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 fund 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 Fund and the Capital Projects Funds.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

- 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.

Reconciliations 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, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 7,956,666	7,262,181	51,315	62,306	8,007,981	7,324,487	9.33%
Capital assets	16,341,400	16,505,109	18,284	21,106	16,359,684	16,526,215	-1.01%
Total assets	24,298,066	23,767,290	69,599	83,412	24,367,665	23,850,702	2.17%
Long-term obligations	11,389,802	11,860,894	528	284	11,390,330	11,861,178	-3.97%
Other liabilities	5,551,130	5,679,179	52,037	49,250	5,603,167	5,728,429	-2.19%
Total liabilities	16,940,932	17,540,073	52,565	49,534	16,993,497	17,589,607	-3.39%
Net assets:							
Invested in capital assets, net of related debt	5,050,400	4,745,109	18,284	21,106	5,068,684	4,766,215	6.35%
Restricted	1,327,478	1,239,543	-	-	1,327,478	1,239,543	7.09%
Unrestricted	979,256	242,565	(1,250)	12,772	978,006	255,337	283.03%
Total net assets	\$ 7,357,134	6,227,217	17,034	33,878	7,374,168	6,261,095	17.78%

The District's combined net assets increased by 17.78% or \$1,113,073 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 \$87,935 or 7.09% from the prior year. The increase can be attributed in part to improvements in the Management Levy Fund and Physical Plant and Equipment Levy Fund balances.

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 requirements - increased \$722,669 or 283.03%. The increase was mainly due to the increase in the General Fund unassigned fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Figure A-4							
	Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
2012	2011	2012	2011	2012	2011	2011-12		
Revenues and Transfers:								
Program revenues:								
Charges for services	\$ 649,653	859,680	223,475	244,400	873,128	1,104,080	-20.92%	
Operating grants and contributions and restricted interest	584,849	1,279,766	188,070	192,281	772,919	1,472,047	-47.49%	
General revenues:								
Property tax	4,650,513	4,426,353	-	-	4,650,513	4,426,353	5.06%	
Income surtax	308,397	305,806	-	-	308,397	305,806	0.85%	
Statewide sales, services and use tax	582,002	584,064	-	-	582,002	584,064	-0.35%	
Unrestricted state grants	3,033,352	2,352,552	-	-	3,033,352	2,352,552	28.94%	
Nonspecific program federal revenue	134,851	94,065	-	-	134,851	94,065	43.36%	
Unrestricted investment earnings	4,349	15,880	144	178	4,493	16,058	-72.02%	
Other	117,057	220,057	478	-	117,535	220,057	-46.59%	
Transfers	-	(3,356)	-	3,356	-	-	0.00%	
Total revenues and transfers	10,065,023	10,134,867	412,167	440,215	10,477,190	10,575,082	-0.93%	
Program expenses:								
Governmental activities:								
Instructional	5,237,582	5,045,479	-	-	5,237,582	5,045,479	3.81%	
Support services	2,519,202	2,437,696	1,552	-	2,520,754	2,437,696	3.41%	
Non-instructional programs	-	-	427,459	414,038	427,459	414,038	3.24%	
Other expenses	1,178,322	1,157,136	-	-	1,178,322	1,157,136	1.83%	
Total expenses	8,935,106	8,640,311	429,011	414,038	9,364,117	9,054,349	3.42%	
Change in net assets	1,129,917	1,494,556	(16,844)	26,177	1,113,073	1,520,733	-26.81%	
Net assets beginning of year	6,227,217	4,732,661	33,878	7,701	6,261,095	4,740,362	32.08%	
Net assets end of year	\$ 7,357,134	6,227,217	17,034	33,878	7,374,168	6,261,095	17.78%	

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 85.19% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.85% of the revenue from business type activities.

The District's total revenues were approximately \$10.48 million, of which approximately \$10.07 million was for governmental activities and \$0.41 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 0.93% in revenues and a 3.42% increase in expenses.

## Governmental Activities

Revenues for governmental activities were \$10,065,023 and expenses were \$8,935,106.

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		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 5,237,582	5,045,479	3.81%	4,284,041	3,211,952	33.38%
Support services	2,519,202	2,437,696	3.34%	2,514,603	2,435,854	3.23%
Other expenses	1,178,322	1,157,136	1.83%	901,960	853,059	5.73%
Totals	\$ 8,935,106	8,640,311	3.41%	7,700,604	6,500,865	18.46%

- The cost financed by users of the District's programs was \$649,653.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$584,849.
- The net cost of governmental activities was financed with \$4,958,910 in local tax, \$582,002 in statewide sales, services and use tax, \$3,033,352 in unrestricted state grants, \$134,851 in nonspecific program federal revenue, \$4,349 in interest income and \$117,057 in other revenues.

## Business Type Activities

Revenues of the District's business type activities were \$412,167 and expenses were \$429,011. 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 \$2,170,264, over last year's ending fund balances of \$1,322,564. The increase is primarily attributable to the increase in the General Fund balance.

## Governmental Fund Highlights

- The District's General Fund balance increased from \$180,440 on June 30, 2011 to \$976,374 on June 30, 2012. The fluctuation in the District's General Fund financial position is the product of many factors. Increases in local tax revenues and state source revenues during the year resulted in an increase in total revenues. General Fund expenses also increased, but were outpaced by revenues producing the improvement in the District's General Fund financial position.
- The Capital Projects Accounts balance increased slightly during the current year, from a balance of \$943,979 to \$951,284.

- The Debt Service Fund balance deteriorated minimally from a balance of \$18,674 at June 30, 2011 to \$18,513 at June 30, 2012.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$33,878 at June 30, 2011 to \$17,034 at June 30, 2012, representing a decrease of approximately 49.72%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$228,797 less than budgeted revenues, a variance of 2.13%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

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. The District amended its budget one time to reflect additional expenditures related to the Panorama Schools Renovation project.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$16,359,684, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.01% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$545,517.

The original cost of the District's capital assets was \$20,943,914. Governmental funds account for \$20,797,973 with the remainder of \$145,941 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. Buildings totaled \$4,695,216 at June 30, 2011, compared to \$15,424,562 reported at June 30, 2012. The increase was primarily the result of the capitalization of the new High School building which was completed during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 207,582	207,582	-	-	207,582	207,582	0.00%
Construction in progress	-	10,923,976	-	-	-	10,923,976	-100.00%
Buildings	15,424,562	4,695,216	-	-	15,424,562	4,695,216	228.52%
Improvements other than buildings	263,679	216,727	-	-	263,679	216,727	21.66%
Machinery and equipment	445,577	461,608	18,284	21,106	463,861	482,714	-3.91%
Total	\$ 16,341,400	16,505,109	18,284	21,106	16,359,684	16,526,215	-1.01%

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## Long-Term Debt

At June 30, 2012, the District had \$11,390,330 in general obligation bonds payable and other long-term debt outstanding. This represents a decrease of 3.97% 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 \$11,291,000 at June 30, 2012.

The District had total outstanding Compensated Absences payable from the General Fund of \$36,849 at June 30, 2012.

The District had a net OPEB liability of \$62,481 at June 30, 2012.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 11,291,000	11,760,000	-	-	11,291,000	11,760,000	-3.99%
Early retirement	-	19,035	-	-	-	19,035	-100.00%
Compensated absences	36,849	36,972	-	-	36,849	36,972	-0.33%
Net OPEB liability	61,953	44,887	528	284	62,481	45,171	38.32%
	<u>\$ 11,389,802</u>	<u>11,860,894</u>	<u>528</u>	<u>284</u>	<u>11,390,330</u>	<u>11,861,178</u>	<u>-3.97%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The overall challenging economic environment resulted in a significant decrease to traditional General Fund revenues, forcing the District to shift funding onto property taxes and other revenue sources. To cope with these difficult conditions, the District will continue to explore all opportunities to reduce expenditures and/or increase revenues.
- On July 1, 2012, the IPERS employer contribution increase to 8.67% will increase the Panorama Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal 2014.
- Although the District's enrollment generally trends upward, total enrollment served for the 2011-12 school year declined by 28.3 students when compared to the prior year.

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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 Sarah Young, Board Secretary/Treasurer, Panorama Community School District, 701 W. Main Street, Panorama, Iowa, 50216.

# **Basic Financial Statements**

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,575,440	47,630	2,623,070
Receivables:			
Property tax:			
Delinquent	50,618	-	50,618
Succeeding year	4,668,898	-	4,668,898
Income surtax	314,532	-	314,532
Accounts	3,443	-	3,443
Due from other funds	24,031	-	24,031
Due from other governments	319,704	-	319,704
Inventories	-	3,685	3,685
Capital assets, net of accumulated depreciation	16,341,400	18,284	16,359,684
<b>Total assets</b>	<b>24,298,066</b>	<b>69,599</b>	<b>24,367,665</b>
<b>Liabilities</b>			
Accounts payable	74,870	-	74,870
Salaries and benefits payable	728,102	24,134	752,236
Due to other funds	-	24,031	24,031
Accrued interest payable	79,260	-	79,260
Deferred revenue:			
Succeeding year property tax	4,668,898	-	4,668,898
Unearned revenue	-	3,872	3,872
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	535,000	-	535,000
Compensated absences	36,849	-	36,849
Portion due after one year:			
General obligation bonds	10,756,000	-	10,756,000
Net OPEB liability	61,953	528	62,481
<b>Total liabilities</b>	<b>16,940,932</b>	<b>52,565</b>	<b>16,993,497</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,050,400	18,284	5,068,684
Restricted for:			
Categorical funding	133,588	-	133,588
Debt service	18,513	-	18,513
Management levy	159,963	-	159,963
Student activities	64,130	-	64,130
School infrastructure	706,132	-	706,132
Physical plant and equipment levy	245,152	-	245,152
Unrestricted	979,256	(1,250)	978,006
<b>Total net assets</b>	<b>\$ 7,357,134</b>	<b>17,034</b>	<b>7,374,168</b>

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 3,274,188	321,387	87,651	(2,865,150)	-	(2,865,150)
Special	711,387	37,616	40,495	(633,276)	-	(633,276)
Other	1,252,007	290,650	175,742	(785,615)	-	(785,615)
	<u>5,237,582</u>	<u>649,653</u>	<u>303,888</u>	<u>(4,284,041)</u>	<u>-</u>	<u>(4,284,041)</u>
Support services:						
Student	128,555	-	4,247	(124,308)	-	(124,308)
Instructional staff	365,467	-	-	(365,467)	-	(365,467)
Administration	707,324	-	-	(707,324)	-	(707,324)
Operation and maintenance of plant	710,883	-	-	(710,883)	-	(710,883)
Transportation	606,973	-	352	(606,621)	-	(606,621)
	<u>2,519,202</u>	<u>-</u>	<u>4,599</u>	<u>(2,514,603)</u>	<u>-</u>	<u>(2,514,603)</u>
Long-term debt interest	508,739	-	-	(508,739)	-	(508,739)
Other expenditures:						
AEA flowthrough	276,362	-	276,362	-	-	-
Depreciation(unallocated)*	393,221	-	-	(393,221)	-	(393,221)
	<u>669,583</u>	<u>-</u>	<u>276,362</u>	<u>(393,221)</u>	<u>-</u>	<u>(393,221)</u>
Total governmental activities	<u>8,935,106</u>	<u>649,653</u>	<u>584,849</u>	<u>(7,700,604)</u>	<u>-</u>	<u>(7,700,604)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	1,552	-	-	-	(1,552)	(1,552)
Non-instructional programs:						
Nutrition services	427,459	223,475	188,070	-	(15,914)	(15,914)
Total business type activities	<u>429,011</u>	<u>223,475</u>	<u>188,070</u>	<u>-</u>	<u>(17,466)</u>	<u>(17,466)</u>
Total	<u>\$ 9,364,117</u>	<u>873,128</u>	<u>772,919</u>	<u>(7,700,604)</u>	<u>(17,466)</u>	<u>(7,718,070)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 3,698,006	-	3,698,006
Debt service				555,167	-	555,167
Capital outlay				397,340	-	397,340
Income surtax				308,397	-	308,397
Statewide sales, services and use tax				582,002	-	582,002
Unrestricted state grants				3,033,352	-	3,033,352
Nonspecific program federal revenue				134,851	-	134,851
Unrestricted investment earnings				4,349	144	4,493
Other				117,057	478	117,535
Total general revenues				<u>8,830,521</u>	<u>622</u>	<u>8,831,143</u>
Change in net assets				1,129,917	(16,844)	1,113,073
Net assets beginning of year				<u>6,227,217</u>	<u>33,878</u>	<u>6,261,095</u>
Net assets end of year				<u>\$ 7,357,134</u>	<u>17,034</u>	<u>7,374,168</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,581,708	758,530	13,058	222,144	2,575,440
Receivables:					
Property tax:					
Delinquent	39,310	3,904	5,455	1,949	50,618
Succeeding year	3,455,200	398,397	640,301	175,000	4,668,898
Income surtax	314,532	-	-	-	314,532
Accounts	3,443	-	-	-	3,443
Due from other funds	24,031	-	-	-	24,031
Due from other governments	114,114	205,590	-	-	319,704
<b>Total assets</b>	<b>\$ 5,532,338</b>	<b>1,366,421</b>	<b>658,814</b>	<b>399,093</b>	<b>7,956,666</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 58,130	16,740	-	-	74,870
Salaries and benefits payable	728,102	-	-	-	728,102
Deferred revenue:					
Succeeding year property tax	3,455,200	398,397	640,301	175,000	4,668,898
Income surtax	314,532	-	-	-	314,532
<b>Total liabilities</b>	<b>4,555,964</b>	<b>415,137</b>	<b>640,301</b>	<b>175,000</b>	<b>5,786,402</b>
Fund balances:					
Restricted for:					
Categorical funding	133,588	-	-	-	133,588
Debt service	-	-	18,513	-	18,513
Management levy purposes	-	-	-	159,963	159,963
Student activities	-	-	-	64,130	64,130
School infrastructure	-	706,132	-	-	706,132
Physical plant and equipment levy	-	245,152	-	-	245,152
Unassigned	842,786	-	-	-	842,786
<b>Total fund balances</b>	<b>976,374</b>	<b>951,284</b>	<b>18,513</b>	<b>224,093</b>	<b>2,170,264</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,532,338</b>	<b>1,366,421</b>	<b>658,814</b>	<b>399,093</b>	<b>7,956,666</b>

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,170,264
 <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 the governmental funds.		16,341,400
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		314,532
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.		(79,260)
Long-term liabilities, including bonds payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(11,389,802)</u>
<b>Net assets of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>7,357,134</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,863,136	979,342	555,167	174,724	5,572,369
Tuition	315,380	-	-	-	315,380
Other	158,724	12,157	-	301,432	472,313
State sources	3,423,325	170	238	79	3,423,812
Federal sources	312,606	-	-	-	312,606
Total revenues	<u>8,073,171</u>	<u>991,669</u>	<u>555,405</u>	<u>476,235</u>	<u>10,096,480</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,142,978	68,068	-	23,250	3,234,296
Special	709,779	-	-	-	709,779
Other	924,072	1,715	-	273,307	1,199,094
	<u>4,776,829</u>	<u>69,783</u>	<u>-</u>	<u>296,557</u>	<u>5,143,169</u>
Support services:					
Student	127,392	-	-	-	127,392
Instructional staff	346,069	63,306	-	-	409,375
Administration	674,498	4,881	20,383	-	699,762
Operation and maintenance of plant	560,096	11,062	-	118,924	690,082
Transportation	515,991	34,854	-	16,132	566,977
	<u>2,224,046</u>	<u>114,103</u>	<u>20,383</u>	<u>135,056</u>	<u>2,493,588</u>
Capital outlay	-	351,631	-	-	351,631
Long-term debt:					
Principal	-	-	490,000	-	490,000
Interest and fiscal charges	-	-	515,030	-	515,030
	<u>-</u>	<u>-</u>	<u>1,005,030</u>	<u>-</u>	<u>1,005,030</u>
Other expenditures:					
AEA flowthrough	276,362	-	-	-	276,362
Total expenditures	<u>7,277,237</u>	<u>535,517</u>	<u>1,025,413</u>	<u>431,613</u>	<u>9,269,780</u>
Excess(Deficiency) of revenues over(under) expenditures	795,934	456,152	(470,008)	44,622	826,700
Other financing sources(uses):					
Transfer in	-	-	448,847	-	448,847
Transfer out	-	(448,847)	-	-	(448,847)
Refunding bond issuance	-	-	1,611,000	-	1,611,000
Payments to escrow	-	-	(1,590,000)	-	(1,590,000)
Total other financing sources(uses)	<u>-</u>	<u>(448,847)</u>	<u>469,847</u>	<u>-</u>	<u>21,000</u>
Net change in fund balances	795,934	7,305	(161)	44,622	847,700
Fund balances beginning of year	<u>180,440</u>	<u>943,979</u>	<u>18,674</u>	<u>179,471</u>	<u>1,322,564</u>
Fund balances end of year	<u>\$ 976,374</u>	<u>951,284</u>	<u>18,513</u>	<u>224,093</u>	<u>2,170,264</u>

SEE NOTES TO 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  
 YEAR ENDED JUNE 30, 2012

**Net change in fund balances - total governmental funds(page 22)** \$ 847,700

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlays in the current year as follows:

Capital outlays	\$ 378,986	
Depreciation expense	(542,695)	(163,709)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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 exceeded issues as follows:

Issued	(1,611,000)	
Repaid	2,080,000	469,000

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.

6,291

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

(31,457)

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	\$ 123	
Early retirement	19,035	
Other postemployment benefits	(17,066)	2,092

**Changes in net assets of governmental activities(page 19)** \$ 1,129,917

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2012

	School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 47,630
Inventories	3,685
Capital assets, net of accumulated depreciation	18,284
<b>Total assets</b>	<b>69,599</b>
<b>Liabilities</b>	
Salaries and benefits payable	24,134
Due to other funds	24,031
Unearned revenue	3,872
Net OPEB liability	528
<b>Total liabilities</b>	<b>52,565</b>
<b>Net Assets</b>	
Invested in capital assets	18,284
Unrestricted	(1,250)
<b>Total net assets</b>	<b>\$ 17,034</b>

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 223,475
Miscellaneous	478
Total operating revenues	223,953
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	1,552
Non-instructional programs:	
Food service operations:	
Salaries	128,510
Benefits	31,717
Services	7,970
Supplies	255,025
Other	1,415
Depreciation	2,822
Total operating expenses	427,459
Total operating expenses	429,011
Operating loss	(205,058)
Non-operating revenues:	
State sources	3,669
Federal sources	184,401
Interest income	144
Total non-operating revenues	188,214
Change in net assets	(16,844)
Net assets beginning of year	33,878
Net assets end of year	\$ 17,034

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 225,440
Cash received from miscellaneous	478
Cash paid to employees for services	(160,256)
Cash paid to suppliers for goods or services	(240,655)
Net cash used in operating activities	(174,993)
Cash flows from non-capital financing activities:	
Borrowings from general fund	1,095
State grants received	3,669
Federal grants received	157,810
Net cash provided by non-capital financing activities	162,574
Cash flows from investing activities:	
Interest on investments	144
Net decrease in cash and cash equivalents	(12,275)
Cash and cash equivalents at beginning of year	59,905
Cash and cash equivalents at end of year	\$ 47,630
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (205,058)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	26,591
Depreciation	2,822
Increase in inventories	(1,284)
Decrease in salaries and benefits payable	(273)
Increase in unearned revenue	1,965
Increase in net OPEB liability	244
Net cash used in operating activities	\$ (174,993)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received \$26,591 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012

	<u>Private Purpose Trust</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 145,695</u>
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Restricted for scholarships	<u>\$ 145,695</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 2,814
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,430</u>
Change in net assets	384
Net assets beginning of year	<u>145,311</u>
Net assets end of year	<u><u>\$ 145,695</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

PANORAMA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**(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 imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a

specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental 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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

The Enterprise, School 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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 and intangibles 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, 2012. 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in the preceding classification.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, the District amended its budget one time to reflect additional expenditures associated with the Panorama Schools Renovation project.

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

The District's deposits at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$868 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poors Financial Services.

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

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	School Nutrition	<u>\$ 24,031</u>

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 448,847</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Capital Projects: Statewide Sales, Services and Use Tax Fund transfer to the Debt Service Fund was for principal and interest payments on the District's general obligation bond indebtedness.

**(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 Series 2011-2012A included taxable and tax-exempt warrants. The District participated in the issuance of the taxable warrants. The interest rates on the taxable Series 2011-2012A are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2011-12A	6/30/11	6/23/12	<u>\$ -</u>	472,051	472,051	<u>-</u>

During the year ended June 30, 2012, the District paid \$1,442 of interest on the ISCAP warrants.

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 207,582	-	-	207,582
Construction in progress	10,923,976	75,975	10,999,951	-
Total capital assets not being depreciated	11,131,558	75,975	10,999,951	207,582
Capital assets being depreciated:				
Buildings	7,138,146	11,099,511	-	18,237,657
Land improvements	643,589	70,008	-	713,597
Machinery and equipment	1,505,694	133,443	-	1,639,137
Total capital assets being depreciated	9,287,429	11,302,962	-	20,590,391
Less accumulated depreciation for:				
Buildings	2,442,930	370,165	-	2,813,095
Land improvements	426,862	23,056	-	449,918
Machinery and equipment	1,044,086	149,474	-	1,193,560
Total accumulated depreciation	3,913,878	542,695	-	4,456,573
Total capital assets being depreciated, net	5,373,551	10,760,267	-	16,133,818
Governmental activities capital assets, net	\$ 16,505,109	10,836,242	10,999,951	16,341,400
<b>Business type activities:</b>				
Machinery and equipment	\$ 145,941	-	-	145,941
Less accumulated depreciation	124,835	2,822	-	127,657
Business type activities capital assets, net	\$ 21,106	(2,822)	-	18,284

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 27,203
Support services:	
Instructional staff	5,647
Administration	5,097
Operation and maintenance of plant	4,263
Transportation	107,264
	149,474
Unallocated depreciation	393,221
Total governmental activities depreciation expense	\$ 542,695
Business type activities:	
Food services	\$ 2,822

**(7) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 11,760,000	1,611,000	2,080,000	11,291,000	535,000
Early Retirement	19,035	-	19,035	-	-
Compensated Absences	36,972	36,849	36,972	36,849	36,849
Net OPEB liability	44,887	17,066	-	61,953	-
<b>Total</b>	<b>\$ 11,860,894</b>	<b>1,664,915</b>	<b>2,136,007</b>	<b>11,389,802</b>	<b>571,849</b>
<b>Business type activities:</b>					
Net OPEB liabilities	\$ 284	244	-	528	-

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue December 1, 2007		Bond Issue June 1, 2008			Bond Issue March 8, 2012			Total			
	Interest Rates	Principal	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total	
2013	3.60 %	\$ 85,000	13,192	-	% \$ -	427,963	1.10 %	\$ 450,000	20,330	\$ 535,000	461,485	996,485
2014	3.65	85,000	10,132	-	-	427,963	1.10	450,000	12,771	535,000	450,866	985,866
2015	3.70	90,000	7,030	-	-	427,963	1.10	465,000	7,821	555,000	442,814	997,814
2016	3.70	100,000	3,700	5.00	205,000	427,963	1.10	246,000	2,706	551,000	434,369	985,369
2017	-	-	-	5.00	595,000	417,712	-	-	-	595,000	417,712	1,012,712
2018-2022	-	-	-	5.00	3,385,000	1,615,561	-	-	-	3,385,000	1,615,561	5,000,561
2023-2027	-	-	-	4.25	4,185,000	752,712	-	-	-	4,185,000	752,712	4,937,712
2028	-	-	-	4.30	950,000	40,850	-	-	-	950,000	40,850	990,850
<b>Total</b>		<b>\$ 360,000</b>	<b>34,054</b>		<b>\$ 9,320,000</b>	<b>4,538,687</b>		<b>\$ 1,611,000</b>	<b>43,628</b>	<b>\$ 11,291,000</b>	<b>4,616,369</b>	<b>15,907,369</b>

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.

Early retirement expenditures for the year ended June 30, 2012 totaled \$19,035.

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and

beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$365,955, \$307,470 and \$309,336 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, 2012, 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	2,033
Adjustment to annual required contribution	<u>(1,723)</u>
Annual OPEB cost	55,310
Contributions made	<u>(38,000)</u>
Increase in net OPEB obligation	17,310
Net OPEB obligation beginning of year	<u>45,171</u>
Net OPEB obligation end of year	<u><u>\$ 62,481</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, 2012.

For the year ended June 30, 2012, the District contributed \$38,000 to the medical plan. Plan members eligible for benefits contributed \$54,000 or 58.70% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 55,000	54.55%	\$ 25,000
2011	55,171	63.44%	45,171
2012	55,310	68.70%	62,481

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$2,597,619 and the ratio of the UAAL to covered payroll was 19.17%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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 3.5% 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**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2012 were \$581,626.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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 \$276,362 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(12) Deficit Balances**

The District had deficit net assets in the School Nutrition Fund of \$1,250.

**(13) Categorical Funding**

The District’s restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Limited English Proficient	\$ 2,648
Gifted and Talented Programs	54,745
Beginning Teacher Mentoring and Induction Program	3,967
Four-year-old Preschool State Aid	72,228
Total	\$ 133,588

**(14) Bond Defeasement**

On March 8, 2012, the District issued \$1,611,000 in general obligation bonds to advance refund \$1,590,000 of outstanding general obligation bonds dated August 1, 2003 and for payment of the bond issuance costs. The proceeds of the refunding issue were placed in an irrevocable escrow account and were invested in U.S. Government obligations which were certified to be sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statements and schedules. The District was contingently liable in the remote possibility the account was insufficient to pay the refunding bonds. At June 30, 2012, \$0 of such bonds is outstanding. Defeasement of principal and interest for the year was \$1,590,000 and \$133,365 respectively. The present value of savings of this advance refunding was \$67,510.

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## **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, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,360,062	224,097	6,584,159	5,902,668	5,902,668	681,491
State sources	3,423,812	3,669	3,427,481	4,459,776	4,459,776	(1,032,295)
Federal sources	312,606	184,401	497,007	375,000	375,000	122,007
Total revenues	10,096,480	412,167	10,508,647	10,737,444	10,737,444	(228,797)
Expenditures/expenses:						
Instruction	5,143,169	-	5,143,169	5,240,000	5,400,000	256,831
Support services	2,493,588	1,552	2,495,140	2,514,000	2,750,000	254,860
Non-instructional programs	-	427,459	427,459	375,000	430,000	2,541
Other expenditures	1,633,023	-	1,633,023	1,310,199	1,700,000	66,977
Total expenditures/expenses	9,269,780	429,011	9,698,791	9,439,199	10,280,000	581,209
Excess(Deficiency) of revenues over(under) expenditures/expenses	826,700	(16,844)	809,856	1,298,245	457,444	352,412
Other financing sources, net	21,000	-	21,000	3,000	3,000	18,000
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	847,700	(16,844)	830,856	1,301,245	460,444	370,412
Balances beginning of year	1,322,564	33,878	1,356,442	1,413,588	1,413,588	(57,146)
Balances end of year	\$ 2,170,264	17,034	2,187,298	2,714,833	1,874,032	313,266

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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, 2012, the District adopted one budget amendment, increasing expenditures by \$840,801.

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%
2011	July 1, 2009	-	\$498,000	498,000	0.0%	\$2,398,371	20.8%
2012	July 1, 2009	-	\$498,000	498,000	0.0%	\$2,597,619	19.2%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 64,130	158,014	222,144
Receivables:			
Property tax:			
Delinquent	-	1,949	1,949
Succeeding year	-	175,000	175,000
<b>Total assets</b>	<b>\$ 64,130</b>	<b>334,963</b>	<b>399,093</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	175,000	175,000
Fund balances:			
Restricted for:			
Management levy purposes	-	159,963	159,963
Student activities	64,130	-	64,130
Total fund balances	64,130	159,963	224,093
<b>Total liabilities and fund balances</b>	<b>\$ 64,130</b>	<b>334,963</b>	<b>399,093</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, 2012

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	174,724	174,724
Other	290,665	10,767	301,432
State sources	-	79	79
Total revenues	<u>290,665</u>	<u>185,570</u>	<u>476,235</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	23,250	23,250
Other	273,307	-	273,307
Support services:			
Operation and maintenance of plant	-	118,924	118,924
Transportation	-	16,132	16,132
Total expenditures	<u>273,307</u>	<u>158,306</u>	<u>431,613</u>
Net change in fund balances	17,358	27,264	44,622
Fund balances beginning of year	<u>46,772</u>	<u>132,699</u>	<u>179,471</u>
Fund balances end of year	<u>\$ 64,130</u>	<u>159,963</u>	<u>224,093</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 500,542	257,988	758,530
Receivables:			
Property tax:			
Delinquent	-	3,904	3,904
Succeeding year	-	398,397	398,397
Due from other governments	205,590	-	205,590
<b>Total assets</b>	<b>\$ 706,132</b>	<b>660,289</b>	<b>1,366,421</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	16,740	16,740
Deferred revenue:			
Succeeding year property tax	-	398,397	398,397
Total liabilities	-	415,137	415,137
Fund Balances:			
Restricted for:			
School infrastructure	706,132	-	706,132
Physical plant and equipment	-	245,152	245,152
Total fund balances	706,132	245,152	951,284
<b>Total liabilities and fund balances</b>	<b>\$ 706,132</b>	<b>660,289</b>	<b>1,366,421</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Projects			Total
	GO Bond Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	582,002	397,340	979,342
Other	-	9,404	2,753	12,157
State sources	-	-	170	170
Total revenues	-	591,406	400,263	991,669
Expenditures:				
Instruction:				
Regular	-	10,773	57,295	68,068
Other		1,715	-	1,715
Support services:				
Instructional staff	-	1,692	61,614	63,306
Administration	-	-	4,881	4,881
Operation and maintenance of plant	-	5,833	5,229	11,062
Transportation	-	-	34,854	34,854
Capital outlay	316	245,279	106,036	351,631
Total expenditures	316	265,292	269,909	535,517
Excess(Deficiency) of revenues over(under) expenditures	(316)	326,114	130,354	456,152
Other financing uses:				
Transfer out	-	(448,847)	-	(448,847)
Net change in fund balances	(316)	(122,733)	130,354	7,305
Fund balances beginning year	316	828,865	114,798	943,979
Fund balances end of year	\$ -	706,132	245,152	951,284

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ (1,676)	6,161	3,908	-	577
Dare	507	15	125	-	397
Speech	45	4,750	4,285	-	510
Volleyball	10	6,570	5,812	-	768
Track	-	14,707	14,696	-	11
Cross country	2,790	3,653	5,311	-	1,132
Golf	-	4,249	4,101	-	148
Girls basketball	1,500	11,254	12,623	-	131
Boys basketball	3,738	2,598	5,271	-	1,065
Football	6,704	38,190	44,884	-	10
Baseball & softball	700	10,925	11,223	-	402
Wrestling	2,120	10,084	12,037	-	167
Athletics	724	31,694	31,851	-	567
Tag	800	-	-	-	800
Student council	1,245	2,003	2,091	-	1,157
MS student council	903	2,008	1,209	-	1,702
National honor society	242	2,774	1,321	-	1,695
FCCLA	(380)	2,230	1,329	-	521
O-M	(1,211)	1,600	194	-	195
FFA	3,353	25,212	27,415	-	1,150
Panther greenhouse	545	166	96	-	615
Panther productions	241	-	-	-	241
Science	4,000	20,887	21,806	-	3,081
Art club	877	326	426	-	777
Music club	12,478	28,051	25,359	-	15,170
Annual	(2,332)	9,500	5,827	-	1,341
Drill team	(2,697)	8,569	3,702	-	2,170
Cheerleaders	674	4,068	4,545	-	197
Technology	293	4,890	4,573	-	610
Panthers for prevention	758	-	63	-	695
Class of 2011	1,322	-	-	(1,322)	-
Class of 2012	1,633	5,648	7,263	-	18
Class of 2013	985	6,255	5,116	-	2,124
Class of 2014	243	-	150	-	93
Elementary	5,619	1,970	2,715	-	4,874
General	19	19,658	1,980	1,322	19,019
<b>Total</b>	<b>\$ 46,772</b>	<b>290,665</b>	<b>273,307</b>	<b>-</b>	<b>64,130</b>

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 TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 5,572,369	5,246,317	4,484,777	4,299,238	4,104,444	3,925,911	3,227,265	2,819,659	2,914,410	2,736,727
Tuition	315,380	382,307	299,310	242,810	247,834	192,374	207,560	138,240	133,219	152,608
Other	472,313	774,441	702,039	647,675	426,889	441,007	336,040	329,364	296,759	233,609
State sources	3,423,812	3,273,908	2,960,470	3,467,975	3,282,311	3,174,607	3,040,431	2,718,012	2,459,527	2,730,171
Federal sources	312,606	381,705	657,685	270,123	203,754	632,518	227,920	237,361	241,449	233,061
Total	\$ 10,096,480	10,058,678	9,104,281	8,927,821	8,265,232	8,366,417	7,039,216	6,242,636	6,045,364	6,086,176
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,234,296	3,264,823	3,953,804	3,618,425	3,171,516	3,156,083	2,927,869	2,615,038	2,464,993	2,591,875
Special	709,779	710,690	864,790	859,150	737,691	725,689	650,137	721,446	668,486	633,169
Other	1,199,094	1,127,251	645,318	859,248	827,814	730,338	694,011	489,614	495,735	454,290
Support services:										
Student	127,392	178,467	138,548	161,188	155,203	143,624	149,757	132,387	112,572	108,543
Instructional staff	409,375	313,037	257,493	234,925	251,045	194,186	175,573	160,567	152,946	115,890
Administration	699,762	644,362	746,704	716,889	691,361	649,260	566,893	494,065	460,704	497,602
Operation and maintenance of plant	690,082	698,061	620,151	578,408	588,541	559,253	515,332	424,253	556,604	458,926
Transportation	566,977	636,413	596,073	640,380	807,995	448,724	506,324	381,046	351,189	315,437
Non-instructional programs	-	-	-	-	38,960	17,891	15,771	14,686	-	113
Capital outlay	351,631	4,149,241	5,349,755	759,352	1,531,655	260,849	100,534	95,157	344,813	52,603
Long-term debt:										
Principal	490,000	482,608	472,612	457,612	370,000	365,000	270,000	255,000	240,000	230,000
Interest	515,030	530,674	545,090	533,124	111,705	119,005	328,156	344,742	384,697	256,776
Other expenditures:										
AEA flow-through	276,362	304,077	303,043	268,002	245,109	240,115	224,732	203,470	200,632	214,926
Total	\$ 9,269,780	13,039,704	14,493,381	9,686,703	9,528,595	7,610,017	7,125,089	6,331,471	6,433,371	5,930,150

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 4, 2013. 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

The management of Panorama Community School District is responsible for establishing and maintaining effective 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, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness, and another we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a 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 I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panorama Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Panorama Community School District and other parties to whom Panorama Community School District may report, including federal awarding agencies and pass-through entities, and 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.

February 4, 2013

PANORAMA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-12 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. In certain instances, one individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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 implemented many procedures in the past two years in an effort to strengthen internal controls and segregate duties as much as possible with our limited number of staff. Some of the compensating controls implemented include having an independent person open the mail and review checks received, separating deposit preparation duties from the issuance of receipts, and separating the recording of disbursements into accounting software from the issuance of checks. We will continue to analyze current office procedures in order to segregate duties as much as possible among our available staff.

Conclusion - Response accepted.

I-B-12 Gate Admissions - Although the District utilizes pre-numbered tickets for all events held on District grounds that require an admission fee, it appears that ticket takers are not signing off on the reconciliation form to verify beginning cash for the change box before the event begins. Also, it appears that ticket takers responsible for cash collections at the gate were not always reconciling the pre-numbered tickets to cash collected before giving custody of the change box to the Athletic Director or designee responsible for the accounting function at the event..

Recommendation - The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved in taking tickets at events. The exchange in custody of the change box from the ticket takers to the Athletic Director or designee for the accounting function with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures.

The amount of the beginning cash should be verified and signed by the ticket takers before the beginning of the event. At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold. A reconciliation form should be completed and signed by the individuals responsible for counting and reconciling pre-numbered tickets to cash collected. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - The District has developed a reconciliation form as recommended and has been using it at activity events during the 2012-13 school year.

Conclusion - Response accepted.

PANORAMA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-12 Certified Budget - During the year ended June 30, 2012, expenditures did not exceed the amended certified budget amounts in any of the functional areas.

II-B-12 Questionable Disbursements - We noted during our audit that the District purchased clothing for coaches from the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups. The costs associated with the clothing should be reimbursed from the employee or added to their W-2’s as additional compensation.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing for coaches and other District employees in lieu of using public funds.

Response - The District has communicated to all coaching staff that funds from the Activity Fund cannot be used to purchase personal apparel for coaching staff. Coaches are aware that they must reimburse the Activity Fund for any personal apparel that is purchased.

Conclusion - Response accepted.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Scott Calmer, Bus Driver Owns Scott's Outdoor Supply	Supplies/services	\$24,976
Sarah Young, District Secretary Husband owns George Young Construction	Services	\$1,116
Jim Hummel, Transportation Director Brother owns Hummel's Auto Body	Services	\$1,097
Kristi West, Bus Driver Husband owns Greenspire Landscaping	Services	\$1,573

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

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the relatives of District employees do not appear to represent a conflict of interest.

- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-12 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 0.41 for the fall of 2011.

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

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

Conclusion - Response accepted

- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 828,865
Revenues:		
Sales tax revenues	\$ 582,002	
Other local revenues	<u>9,404</u>	<u>591,406</u>
		1,420,271
Expenditures/transfer out:		
School infrastructure construction	\$ 245,279	
Equipment	20,013	
Transfer to other funds:		
Debt service fund	<u>448,847</u>	<u>714,139</u>
Ending Balance		<u>\$ 706,132</u>

For the year ended June 30, 2012, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy</u>	<u>Property</u>
	<u>Reduction</u>	<u>Tax</u>
	<u>Per \$1000</u>	<u>Dollars</u>
	<u>of Taxable</u>	<u>Reduced</u>
	<u>Valuation</u>	
Debt service levy	<u>\$ 1.12802</u>	<u>\$ 448,847</u>

II-M-12 Financial Condition - We noted during our audit that the School Nutrition Fund had deficit net assets of \$1,250 at June 30, 2012.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficit.

Response - The District has been closely monitoring the financial condition of the Nutrition Fund. Meetings have been held with the Food Service Director to analyze the finances of the Nutrition Fund and to discuss ways to reduce expenditures and increase revenues. The District will also be looking for an outside resource to analyze the District's Nutrition Fund and to make recommendations on how to better manage the finances.

Conclusion - Response accepted.

II-N-12 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, 2012, the Enterprise, School Nutrition Fund owes the General Fund \$24,031.

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

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

Response - The District will issue anticipatory warrants to repay any of the remaining interfund loan that is left at the end of fiscal year 2013.

Conclusion - Response accepted.

II-O-12 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 to be in compliance with 291.1 of the Code of Iowa.

Response - We will have the Board President sign all contracts entered into by the District.

Conclusion - Response accepted.

II-P-12 Checks Outstanding - We noted during our audit that the District had checks included in the Activity Fund bank reconciliation which have been outstanding for over a year.

Recommendation - The District should research outstanding checks to determine if they should be re-issued or voided. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa 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 - The outstanding checks that were showing at the end of fiscal year 2012 have been removed. When performing the monthly bank reconciliation, the Business Manager reviews all outstanding checks. If checks are left outstanding longer than 60 days, a report is given to the Activity Fund secretary for follow up with the vendors who received the checks.

Conclusion - Response accepted.