CITY OF PANORA

Panora, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2004

With Independent Auditor's Reports

CITY OF PANORA
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CITY OF PANORA
City Officials
June 30, 2004

Prior to January 1, 2004

Name	Title	Term Expires
Steve Baker	Mayor	December 31, 2003
Mark Humphreys	Mayor Pro Tem	December 31, 2003
Ron Allen	Council Member	December 31, 2005
Stewart Firebaugh	Council Member	December 31, 2003
Cheryl Keith	Council Member	December 31, 2005
Don Van Winkle	Council Member	December 31, 2005
Sue Cosner	Clerk/Administrator	Indefinite
Joyce Calmer	Treasurer	Indefinite
Jeffrey Bump	Attorney	Indefinite

Subsequent to December 31, 2003

Steve Baker	Mayor	December 31, 2007
Mark Humphreys	Mayor Pro Tem	December 31, 2007
Ron Allen	Council Member	December 31, 2005
David Beidelman	Council Member	December 31, 2007
Cheryl Keith	Council Member	December 31, 2005
Don Van Winkle	Council Member	December 31, 2005
Sue Cosner	Clerk/Administrator	Indefinite
Joyce Calmer	Treasurer	Indefinite
Jeffrey Bump	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Panora, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Panora, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents of this report. These financial statements are the responsibility of City officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As described more fully in Note 1, the financial statements referred to above have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Panora, Iowa as of June 30, 2004 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 12, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my report dated September 29, 2004 on my consideration of the City of Panora's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 23 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Panora's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed opinions of those financial statements qualified due to the absence of a record of fixed assets. Other supplementary information included on pages 25 through 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

s/ Stanley E. Siebke

Urbandale, Iowa
September 29, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Panora's annual financial report provides 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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 0.2%, or $1,457, from fiscal 2003 to fiscal 2004. Property tax increased $27,275.

- Disbursements increased 4.6%, or $32,567, in fiscal 2004 from fiscal 2003. Public safety, public works, culture and recreation and community and economic development disbursements increased $61,475, $10,981, $7,956 and $25,926 respectively. These increases were offset by a decrease in general government disbursements of $70,637.

- The City's total cash basis net assets increased 6.6%, or $119,990, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased $72,701 and the assets of the business type activities increased by $47,289.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The "Management's Discussion and Analysis" introduces the basic financial statements and provides an analytical overview of the City's financial activities.

- The "Government-wide Financial Statement" consists of a "Statement of Activities and Net Assets." This statement provides information about the activities of the City as a whole and presents an overall view of the City'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 the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

- 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 City's budget for the year.

- "Other Supplementary Information" provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORT OF THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

- Business Type Activities include the City's electric utility, water utility, the sanitary sewer system, and solid waste/recycling operations. These activities are all financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment Funds, 3) the Debt Service Fund, and 4) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, electric, and solid waste funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased $72,701 from a year ago, from $612,197 to $684,898. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Years Ended June 30,	
	2004	2003
Receipts:		
Property tax	$ 427,169	399,894
TIF revenues	77,625	65,783
Other city taxes	9,030	3,343
Licenses and permits	4,798	2,803
Use of money and property	17,908	38,369
Intergovernmental	159,865	165,769
Charges for services	39,742	23,245
Special assessments	20,992	19,961
Miscellaneous	12,880	52,299
Total Receipts	770,009	771,466
Disbursements:		
Operating:		
Public safety	201,019	187,882
Public works	139,149	112,468
Culture and recreation	100,852	92,896
Community and economic development	49,755	23,829
General government	28,306	98,943
Capital outlay:		
Public safety	58,591	10,253
Public works	0	15,700
Debt service	165,916	169,050
Total Disbursements	743,588	711,021
Excess of Receipts over Disbursements	26,421	60,445
Other Financing Sources - Transfers	46,280	46,280
Increase in Cash Basis Net Assets	72,701	106,725
Cash Basis Net Assets at Beginning of Year	612,197	505,472

Cash Basis Net Assets at End of Year	$ 684,898	612,197

The City's total receipts for governmental activities decreased by .2%, or $1,457. The total cost of all programs and services increased by $32,567, or 4.6%, with no new programs added this year. Increases in property taxes and TIF revenues were offset by decreases in interest income and miscellaneous receipts.

The cost of all governmental activities this year was $743,588 compared to $711,021 last year. However, as shown in the Statement of Activities and Net Assets on pages 11-12, the amount taxpayers ultimately financed for these activities was only $525,257 because some of the cost was paid by those who directly benefited from the programs ($35,715) or by other governments and organizations that subsidized certain programs with grants and contributions ($182,616).

Change in Cash Basis Net Assets of Business Type Activities

	Years Ended June 30,	
	2004	2003
Operating Receipts:		
Charges for service:		
Water	$ 334,003	292,942
Sewer	194,445	200,845
Electric	838,726	905,796
Garbage	48,029	48,647
Landfill	24,317	25,021
Total Operating Receipts	1,439,520	1,473,251
Operating Disbursements:		
Business type activities:		
Water	226,689	176,838
Sewer	142,611	140,646
Electric	726,865	760,411
Garbage	39,417	41,140
Landfill	27,025	26,144
Construction	69,166	387,612
Total Operating Disbursements	1,231,773	1,532,791
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	207,747	(59,540)
Total Non-Operating Receipts (Disbursements)	(160,458)	81,603
Net Change in Cash Balances	47,289	22,063
Cash Basis Net Assets at Beginning of Year	1,198,270	1,176,207
Cash Basis Net Assets at End of Year	$ 1,245,559	1,198,270

Total business type activities receipts for the fiscal year were $1,528,433 compared to $1,796,221 last year. This significant decrease was due primarily to the receipt of $310,843 of debt proceeds in fiscal 2003 compared to $78,108 in fiscal 2004. Total disbursements and transfers for the fiscal year decreased by 16.5% to a total of $1,481,144.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Panora completed the year, its governmental funds reported a combined fund balance of $684,898, an increase of $72,201 above last year's total of $612,197. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased $12,979 from the prior year to $357,368. $4,515 of this increase was due to local option sales tax received for the first time this fiscal year. The City intends to use these receipts to finance library operations, capital improvements, and economic development activity.

- The Road Use Tax Fund cash balance increased by $21,048 to $112,753 during the fiscal year. The City successfully repaid a RISE grant and once again, began receiving its full share allocation of the tax this fiscal year. The City intends to continue to use this money to upgrade the condition of City streets on a scheduled basis.

- At the end of the fiscal year, the cash balance in the urban renewal funds was $90,180, an increase of $17,062 from the previous year. The increase was the result of growth in valuations. These proceeds will be used for developer reimbursements, deposits into a low/moderate income housing fund, and USDA loan repayments.

- The Employee Benefits fund increased by $29,771. This fund was fully funded because of allocating sufficient property tax receipts to pay the cost of payroll taxes and fringe benefits for city employees.

- The Debt Service Fund cash balance decreased by $15 to $21,532 during the fiscal year. This reflects that the City assessed the proper amount of property tax to meet the debt service obligations for the year. Bond principal and interest payments decreased by $3,134 in fiscal 2004.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by $10,137 to $241,228, due primarily to an increase in water tower maintenance and the purchase of wholesale water from the Lake Panorama Association over the prior year.

- The Sewer Fund cash balance increased by $18,811 to $201,590. This reflects the operating costs of the sewer fund being matched by charges for service.

- The Electric Fund cash balance decreased by $13,769 to $764,944 due primarily to receipts decreasing more than the decrease in the cost of purchased electricity.

- The Garbage Fund cash balance increased by $6,112 to $ 24,744 and the Landfill Fund cash balance decreased by $208 to $27,952. These amounts show that the City charges for these services are matching the costs paid to outside contractors.

BUDGETARY HIGHLIGHTS

The City amended its budget for additional disbursements in certain City departments. The amendment was approved on June 14, 2004 and resulted in an increase in operating disbursements related to various operational cost overruns. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2004, the City had $2,169,475 in bonds and other long-term debt, compared to $2,354,062 last year, as shown below.

Outstanding Debt at Year End	June 30, 2004	June 30, 2003
General obligation bonds	$ 665,000	780,000
Promissory note	58,475	70,170
Revenue bonds	1,446,000	1,503,892
	$ 2,169,475	2,354,062

Revenue debt increased as a result of borrowing from the state's water revolving loan fund for water plant improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $665,000 is significantly below its constitutional debt limit of $1,910,565.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While property taxes are important to the City, they constitute less than 20% of total program resources excluding other financing sources. Intergovernmental receipts were less than expected due to substantially reduced state reimbursement on property tax credits. TIF revenues comprised just under 4% of revenues. The largest revenue source, at nearly 66% comes from fees and charges for services which includes utility charges. The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly, including periodic cost of service studies for its utility operations. During fiscal year 2003-2004 the City increased water rates by 15%. The City also more strictly enforced the capture of building permit fees and facility rental fees. Due to the slow economy interest revenues were down drastically.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are $3,403,417, an increase of 37% over the final 2004 budget. This revenue estimate includes grant and debt proceeds for a major capital project, the Highway 44 construction project. Charges and fees for service are also a major part of this increase. Budgeted disbursements are expected to rise to $3,186,535. Increased wage and cost-of-living adjustments, increases in construction and maintenance and the urban renewal project represent the largest increases. The City has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the City's budgeted cash balance is expected to be $1,965,182 by the close of 2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Cosner, City Administrator, 501 East Market Street, Panora, Iowa.

CITY OF PANORA

Statement of Activites and Net Assets - Cash Basis

As of and For the Year Ended June 30, 2004

	Disbursements	Charges for Services	Program Receipts Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Function / Programs:				
Governmental activities:				
Public safety	$ 259,610	23,437	40,893	0
Public works	139,149	120	97,863	0
Culture and recreation	100,852	9,451	17,139	0
Community and economic development	49,755	0	5,729	0
General government	28,306	2,707	0	0
Debt service	165,916	0	20,992	0
Total Governmental Activities	743,588	35,715	182,616	0
Business type activities:				
Water	344,140	330,053	0	0
Sewer	142,611	193,057	0	0
Electric	812,505	829,676	6,290	0
Garbage	39,417	48,029	0	0
Landfill	27,025	24,317	0	0
Construction	69,166	0	0	0
Total Business Type Activities	1,434,864	1,425,132	6,290	0
Total	$ 2,178,452	1,460,847	188,906	0
Component Unit:				
Panora Public Library Foundation:				
Culture and recreatior	$ 65,951	0	0	182,320

Change in Cash Basis Net Assets

Net (Disbursements) Receipts

General Receipts:
- Property tax levied for:
  - General purposes
  - Tax increment financing
  - Debt service
- Local option sales tax
- Unrestricted interest on investments
- Bond proceeds
- Miscellaneous
- Transfers

Total General Receipts

Change in Cash Basis Net Assets

Cash Basis Net Assets at Beginning of Year

Cash Basis Net Assets at End of Yea

Cash Basis Net Assets:
- Restricted:
  - Streets
  - Urban renewal purposes
  - Debt service
  - Other
- Unrestricted

Total Cash Basis Net Assets

The accompanying notes are an integral part of these financial statements.

CITY OF PANORA

Statement of Activites and Net Assets - Cash Basis

As of and For the Year Ended June 30, 2004

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(195,280)	0	(195,280)
(41,166)	0	(41,166)
(74,262)	0	(74,262)
(44,026)	0	(44,026)
(25,599)	0	(25,599)
(144,924)	0	(144,924)
(525,257)	0	(525,257)
0	(14,087)	(14,087)
0	50,446	50,446
0	23,461	23,461
0	8,612	8,612
0	(2,708)	(2,708)
0	(69,166)	(69,166)
0	(3,442)	(3,442)
(525,257)	(3,442)	(528,699)
116,369	0	116,369

	Primary Government		
Governmental Activities	Business Type Activities	Total	Component Unit
(525,257)	(3,442)	(528,699)	116,369
299,257	0	299,257	0
77,625	0	77,625	0
127,912	0	127,912	0
9,030	4,515	13,545	0
17,908	0	17,908	0
0	78,108	78,108	0
19,946	14,388	34,334	0
46,280	(46,280)	0	0
597,958	50,731	648,689	0
72,701	47,289	119,990	116,369
612,197	1,198,270	1,810,467	276,912
$ 684,898	1,245,559	1,930,457	393,281
$ 112,753	0	112,753	0
162,793	0	162,793	0
21,532	271,867	293,399	0
15,588	0	15,588	393,281
372,232	973,692	1,345,924	0
$ 684,898	1,245,559	1,930,457	393,281

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2004

		Special Revenue	
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	$ 203,480	0	95,777
TIF revenues	0	0	0
Other city taxes	4,515	0	0
Licenses and permits	4,798	0	0
Use of money and property	17,908	0	0
Intergovernmental	53,725	97,863	0
Charges for services	39,742	0	0
Special assessments	0	0	0
Miscellaneous	9,400	0	0
Total Receipts	333,568	97,863	95,777
Disbursements:			
Operating:			
Public safety	165,024	0	32,466
Public works	44,675	76,815	17,659
Culture and recreation	70,273	0	15,881
Community and economic development	0	0	0
General government	28,306	0	0
Capital outlay:			
Public safety	58,591	0	0
Debt service	0	0	0
Total Disbursements	366,869	76,815	66,006
Excess (Deficit) of Receipts over (under) Disbursements	(33,301)	21,048	29,771
Other Financing Sources - Transfers	46,280	0	0
Net Change in Cash Balances	12,979	21,048	29,771
Cash Balances at Beginning of Year	344,389	91,705	(18,789)
Cash Balances at End of Year	$ 357,368	112,753	10,982
Cash Basis Fund Balances:			
Reserved:			
Debt service	$ 0	0	0
Unreserved:			
General fund	357,368	0	0
Special revenue funds	0	112,753	10,982
Permanent fund	0	0	0
Total Cash Basis Fund Balances	$ 357,368	112,753	10,982

The accompanying notes are an integral part of these financial statements.

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2004

Debt Service	Other Nonmajor Governmental Funds	Total
127,912	0	427,169
0	77,625	77,625
0	4,515	9,030
0	0	4,798
0	0	17,908
0	8,277	159,865
0	0	39,742
20,992	0	20,992
0	3,480	12,880
148,904	93,897	770,009
0	3,529	201,019
0	0	139,149
0	14,698	100,852
0	49,755	49,755
0	0	28,306
0	0	58,591
154,221	11,695	165,916
154,221	79,677	743,588
(5,317)	14,220	26,421
5,302	(5,302)	46,280
(15)	8,918	72,701
21,547	173,345	612,197
21,532	182,263	684,898
21,532	0	21,532
0	0	357,368
0	167,400	291,135
0	14,863	14,863
21,532	182,263	684,898

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balaces - Proprietary Funds
As of and For the Year Ended June 30, 2004

	Water	Sewer	Enterprise Electric
Operating Receipts:			
Charges for services	$ 330,053	193,057	829,676
Miscellaneous	3,950	1,388	9,050
Total Operating Receipts	334,003	194,445	838,726
Disbursements:			
Operating:			
Business type activities	226,689	142,611	726,865
Total Operating Disbursements	226,689	142,611	726,865
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	107,314	51,834	111,861
Non-Operating Receipts (Disbursements)			
Other city taxes	0	0	0
Use of money and property - interest	0	0	6,290
Proceeds of long-term debt	0	0	0
Transfers	0	(33,023)	(46,280)
Debt service	(117,451)	0	(85,640)
Total Non-Operating Receipts (Disbursements)	(117,451)	(33,023)	(125,630)
Net Change in Cash Balances	(10,137)	18,811	(13,769)
Cash Balances at Beginning of Year	251,365	182,779	778,713
Cash Balances at End of Year	$ 241,228	201,590	764,944
Cash Basis Fund Balances:			
Unrestricted:			
Reserved for debt service	$ 170,192	0	101,675
Unreserved	71,036	201,590	663,269
Total Cash Basis Fund Balances	$ 241,228	201,590	764,944

The accompanying notes are an integral part of these financial statements.

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balaces - Proprietary Funds
As of and For the Year Ended June 30, 2004

Funds Garbage	Landfill	Construction	Total
48,029	24,317	0	1,425,132
0	0	0	14,388
48,029	24,317	0	1,439,520
39,417	27,025	69,166	1,231,773
39,417	27,025	69,166	1,231,773
8,612	(2,708)	(69,166)	207,747
0	0	4,515	4,515
0	0	0	6,290
0	0	78,108	78,108
(2,500)	2,500	33,023	(46,280)
0	0	0	(203,091)
(2,500)	2,500	115,646	(160,458)
6,112	(208)	46,480	47,289
18,632	28,160	(61,379)	1,198,270
24,744	27,952	(14,899)	1,245,559
0	0	0	271,867
24,744	27,952	(14,899)	973,692
24,744	27,952	(14,899)	1,245,559

(1) Summary of Significant Accounting Policies

The City of Panora is a political subdivision of the State of Iowa located in Guthrie County. The City operates under the Mayor-Council form of government with the mayor and council members elected on a non-partisan basis.

Reporting Entity

For financial reporting purposes, the City of Panora has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City'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 City 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 City.

The Panora Public Library Foundation, Inc. is a not-for-profit organization created for the purpose of seeking donations to build a library. At such time in the future when library construction is completed, the building will be deeded to the City.

The City also participates in jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following commission: Guthrie County Regional Airport Authority.

Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity as been removed from this statement. Governmental activities, which 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 services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

> 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 preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular

function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements
Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the payment of payroll taxes and benefits for governmental employees.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of principal and interest on the City's general long-term debt.

The City reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the City's water system.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Electric Fund – The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

Garbage Fund – The Garbage Fund accounts for the costs of garbage pick-up and removal.

Landfill Fund – The Landfill Fund accounts for the City's share of the cost of operation the regional landfill.

Construction – The proprietary construction fund accounts for the costs of major utility improvements. Currently the City is completing a project to extend water mains.

Measurement Focus and Basis of Accounting
The City of Panora maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting
In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

During the year ended June 30, 2004, the budget was amended under the statutorily prescribed procedures.

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

(2) Pooled Deposits and Investments
The City's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Funds that have deficit cash in bank balances are considered to have borrowed cash from other funds.

The City 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 City Council and the Treasurer of the State of Iowa; 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.

(3) Long-Term Debt

A summary of the City's June 30, 2004 general obligation, promissory note, and revenue bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	General Obligation Bonds and Promissory Note Principal	Interest	Water Revenue Bonds Principal	Interest	Electric Revenue Bonds Principal	Interest	Total
2005	0 - 5.25%	$116,695	33,970	76,000	37,985	60,000	22,700	347,350
2006	0 - 5.25	121,695	28,727	77,000	35,105	65,000	20,030	347,557
2007	0 - 5.25	126,695	23,208	83,000	32,195	65,000	17,105	347,203
2008	0 - 5.30	126,695	17,410	84,000	29,045	70,000	14,148	341,298
2009	0 - 5.35	136,695	11,555	90,000	25,810	75,000	10,927	349,987
		628,475	114,870	410,000	160,140	335,000	84,910	1,733,395
2010-2014	0 - 5.40	95,000	5,130	510,000	71,140	155,000	11,243	847,513
2015	3.00	0	0	36,000	1,080	0	0	37,080
		$723,475	120,000	956,000	232,360	490,000	96,153	2,617,988

Interest paid on General Obligation Bonds amounted to $38,389, interest paid on Water Revenue Bonds amounted to $40,220 and interest paid on Electric Revenue Bonds amounted to $25,340. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2004 are as follows:

Type of Indebtedness	Amount
General Obligation Bonds	$ 21,532
Water Revenue Bonds	170,192
Electric Revenue Bonds	101,675
	$ 293,399

The Water Revenue Bonds provide for annual transfers to the Water Sinking Fund from the Water Revenue Fund sufficient to cover the annual principal and interest payments on the Water Revenue Bonds. The Electric Revenue Bonds provide for annual transfers to the Electric Sinking Fund sufficient to cover the annual principal and interest payments on the Electric Revenue Bonds. Minimum annual sinking fund requirements are as follows:

Year Ending June 30,	Water	Electric
2005	$ 113,985	82,700
2006	112,105	85,030
2007	115,195	82,105
2008	113,045	84,148
2009	115,810	85,927
	570,140	419,910
2010-2014	581,140	166,243
2015	37,080	0
	$ 1,188,360	586,153

(4) Retirement System - IPERS

The City 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 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were $18,698, $20,020, and $19,420, respectively, equal to the required contributions for each year.

(5) Retirement Plan

The City has one employee who has elected to be covered by a Section 457(B) Plan. This plan provides for voluntary salary deferrals of up to $12,000 annually. The cost to the City for this plan during the year ended June 30, 2004 was $5,425.

(6) General Long-Term Debt Account Group

Changes in the general long-term debt account group during the year ended June 30, 2004 are summarized as follows:

	General Obligation Bonds	Promissory Note	Total
Balance at beginning of the year	$ 780,000	70,170	850,170
Principal payments during the year	(115,000)	(11,695)	(126,695)
Balance at end of the year	$ 665,000	58,475	723,475

(7) Compensated Absences

City employees accumulate vacation, sick leave and personal leave hours for subsequent use or vacation may be paid upon termination, retirement or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2004 is as follows:

Type of Benefit	Amount
Sick leave	$46,595
Vacation	15,174
Personal leave	17,260
	$79,029

The liability has been computed based on rates of pay as of June 30, 2004.

(8) Risk Management

The City of Panora 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 City 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.

(9) Property Tax Calendar

Property taxes are collected and remitted to the City by the county government. Taxes are levied annually on July 1 based on an assessment as of January 1. Taxes are due one-half on September 30 in the year following the levy and one-half on the subsequent March 31. The lien date is July 1. Current and delinquent tax payments are recognized as receipts by the City when received.

(10) Stewardship, Compliance and Accountability – Deficit Fund Balances

At June 30, 2004, the City of Panora had a deficit fund balance in the Water Construction Fund of $28,507 as a result of disbursements exceeding receipts during the year ended June 30, 2003. This deficit will be eliminated by making transfers from the Water Revenue Fund.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2004, disbursements in the Culture and Recreation and Debt Service Programs exceeded the amounts budgeted.

(12) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities.

CITY OF PANORA
Budgetary Comparison Schedule of Receipts, Disbursements
and Changes in Cash Balances - Budget and Actual (Cash Basis)
All Governmental Funds and Proprietary Funds
Year Ended June 30, 2004

	Governmental Funds	Proprietary Funds	Total
Receipts:			
Property tax	$ 427,169	0	427,169
TIF revenues	77,625	0	77,625
Other city taxes	9,030	4,515	13,545
Licenses and permits	4,798	0	4,798
Use of money and property	17,908	6,290	24,198
Intergovernmental	159,865	0	159,865
Charges for services	39,742	1,425,132	1,464,874
Special assessments	20,992	0	20,992
Miscellaneous	12,880	14,388	27,268
Other financing sources	46,280	78,108	124,388
Total Receipts	816,289	1,528,433	2,344,722
Disbursements:			
Public safety	259,610	0	259,610
Public works	139,149	0	139,149
Culture and recreation	100,852	0	100,852
Community and economic development	49,755	0	49,755
General government	28,306	0	28,306
Debt service	165,916	0	165,916
Business type activities	0	1,434,864	1,434,864
Other financing uses	0	46,280	46,280
Total Disbursements	743,588	1,481,144	2,224,732
Excess (Deficit) of Receipts over (under) Disbursements	72,701	47,289	119,990
Balances at Beginning of Year	612,197	1,198,270	1,810,467
Balances at End of Year	$ 684,898	1,245,559	1,930,457

CITY OF PANORA

Budgetary Comparison Schedule of Receipts, Disbursements
and Changes in Cash Balances - Budget and Actual (Cash Basis)
All Governmental Funds and Proprietary Funds
Year Ended June 30, 2004

Budgeted Amounts		Variance
Original	Amended	to Final
431,101	431,101	(3,932)
0	0	77,625
7,649	7,649	5,896
1,700	1,700	3,098
36,200	36,200	(12,002)
237,388	237,388	(77,523)
1,648,868	1,648,868	(183,994)
20,992	20,992	0
0	0	27,268
96,822	96,822	27,566
2,480,720	2,480,720	(135,998)
260,867	296,482	36,872
141,508	141,508	2,359
72,663	72,663	(28,189)
138,899	138,899	89,144
92,048	102,048	73,742
157,222	157,222	(8,694)
1,511,132	1,581,132	146,268
96,822	96,822	50,542
2,471,161	2,586,776	362,044
9,559	(106,056)	226,046
1,854,017	1,854,017	(43,550)
1,863,576	1,747,961	182,496

CITY OF PANORA
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds
As of and For the Year Ended June 30, 2004

	D.A.R.E	Police Forfeiture	Special Low/Mod Housing
Receipts:			
TIF revenues	$ 0	0	0
Other city taxes - local option sales tax	0	0	0
Intergovernmental	572	0	5,729
Miscellaneous	50	2,765	0
Total Receipts	622	2,765	5,729
Disbursements:			
Operating:			
Public safety	913	2,616	0
Culture and recreation	0	0	0
Community and economic development	0	0	26,434
Debt service	0	0	0
Total Disbursements	913	2,616	26,434
Excess (Deficit) of Receipts over (under) Disbursements	(291)	149	(20,705)
Operating transfers in (out)	0	0	10,240
Net Change in Cash Balances	(291)	149	(10,465)
Cash Balances at Beginning of Year	1,126	3,621	14,191
Cash Balances at End of Year	$ 835	3,770	3,726
Cash Basis Fund Balances:			
Unreserved:			
Special revenue funds	$ 835	3,770	3,726
Permanent fund	0	0	0
	$ 835	3,770	3,726

CITY OF PANORA
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds
As of and For the Year Ended June 30, 2004

Revenue				
TIF - NE	TIF - NW	Economic Development	Permanent Trust and Agency	Total
45,107	32,518	0	0	77,625
0	0	4,515	0	4,515
0	0	0	1,976	8,277
0	0	0	665	3,480
45,107	32,518	4,515	2,641	93,897
0	0	0	0	3,529
0	0	0	14,698	14,698
0	22,861	460	0	49,755
11,695	0	0	0	11,695
11,695	22,861	460	14,698	79,677
33,412	9,657	4,055	(12,057)	14,220
0	(15,542)	0	0	(5,302)
33,412	(5,885)	4,055	(12,057)	8,918
40,064	18,863	68,560	26,920	173,345
73,476	12,978	72,615	14,863	182,263
73,476	12,978	72,615	0	167,400
0	0	0	14,863	14,863
73,476	12,978	72,615	14,863	182,263

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Water Treatment Plant	February 1, 1992	4.30 - 6.25%	$ 550,000
Capital Loan Notes	November 1, 1998	4.10 - 4.60	280,000
General Obligation Notes	June 1, 2000	5.25 - 5.40	610,000
Total General Obligation Bonds			
Promissory Note:			
Guthrie County R.E.C.	September 9, 1998	0	116,950
Revenue Bonds:			
Water	May 1, 2001	4.20 - 4.90	750,000
Water SRF		3.00	393,000
Electric	February 1, 2001	4.30 - 4.80	650,000
Total Revenue Bonds			
Total			

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2004

Balance June 30, 2003	Issued	Redeemed	Balance June 30, 2004	Interest Paid
$ 65,000	0	65,000	0	2,031
180,000	0	25,000	155,000	7,995
535,000	0	25,000	510,000	28,363
780,000	0	115,000	665,000	38,389
70,170	0	11,695	58,475	0
665,000	0	50,000	615,000	29,855
288,892	78,108	26,000	341,000	10,365
953,892	78,108	76,000	956,000	40,220
550,000	0	60,000	490,000	25,340
1,503,892	78,108	136,000	1,446,000	65,560
$ 2,354,062	78,108	262,695	2,169,475	103,949

CITY OF PANORA
Bond and Note Maturities
June 30, 2004

General Obligation Bonds and Notes

Year Ending June 30,	Capital Loan Notes Issued 11-1-98 Interest Rates	Amount	General Obligation Notes Issued 6-1-00 Interest Rates	Amount	Total
2005	4.35%	$ 30,000	5.25	75,000	105,000
2006	4.40	30,000	5.25	80,000	110,000
2007	4.45	30,000	5.25	85,000	115,000
2008	4.50	30,000	5.30	85,000	115,000
2009	4.60	35,000	5.35	90,000	125,000
2010	--	--	5.40	95,000	95,000
		$ 155,000		510,000	665,000

Water Revenue Bonds

Year Ending June 30,	Issued 5-1-01 Interest Rates	Amount	SRF Interest Rates	Amount	Total
2005	4.20%	$ 50,000	3.00	26,000	76,000
2006	4.20	50,000	3.00	27,000	77,000
2007	4.20	55,000	3.00	28,000	83,000
2008	4.30	55,000	3.00	29,000	84,000
2009	4.40	60,000	3.00	30,000	90,000
2010	4.50	65,000	3.00	31,000	96,000
2011	4.60	65,000	3.00	32,000	97,000
2012	4.70	70,000	3.00	33,000	103,000
2013	4.80	70,000	3.00	34,000	104,000
2014	4.90	75,000	3.00	35,000	110,000
2015	--	--	3.00	36,000	36,000
		$ 615,000		341,000	956,000

CITY OF PANORA
Bond and Note Maturities
June 30, 2004

Promissory Note
Guthrie County R.E.C.
Issued 9-9-98

Interest Rates	Amount
--	$ 11,695
--	11,695
--	11,695
--	11,695
--	11,695
--	--
	$ 58,475

Electric Revenue Bonds
Issued 2-1-01

Interest Rates	Amount
4.45	$ 60,000
4.50	65,000
4.55	65,000
4.60	70,000
4.70	75,000
4.75	75,000
4.80	80,000
--	--
--	--
--	--
--	--
	$ 490,000

CITY OF PANORA

Schedule of Receipts by Source and Disbursements by Function

All Governmental Funds

	Years Ended June 30			
	2004	2003	2002	2001
Receipts:				
Property tax	$ 427,169	399,894	370,023	380,752
TIF revenues	77,625	65,783	47,859	12,993
Other city taxes	9,030	3,343	0	0
Licenses and permits	4,798	2,803	2,196	2,143
Use of money and property	17,908	38,369	59,717	81,246
Intergovernmental	159,865	165,769	197,696	386,139
Charges for services	39,742	23,245	32,890	14,229
Special assessments	20,992	19,961	23,672	3,223
Miscellaneous	12,880	52,299	22,515	32,580
Total Receipts	$ 770,009	771,466	756,568	913,305
Disbursements:				
Public safety	$ 259,610	198,135	205,007	192,088
Public works	139,149	128,168	130,013	324,136
Culture and recreation	100,852	92,896	77,641	79,111
Community and economic development	49,755	23,829	34,309	14,382
General government	28,306	98,943	92,464	143,250
Debt service	165,916	169,050	169,818	175,320
Total Disbursements	$ 743,588	711,021	709,252	928,287

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and
Members of the City Council
City of Panora, Iowa

I have audited the financial statements of the City of Panora, Iowa, as of and for the year ended June 30, 2004 and have issued my report thereon dated September 29, 2004. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Panora's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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. Prior year statutory comments have been resolved except for items 04-III-B, 04-III-G and 04-III-J.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Panora's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions

involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the City of Panora's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe none of the items are material weaknesses. Prior year reportable conditions have been resolved except for item 04-II-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Panora and other parties to whom the City of Panora may report. This report is not intended to be and should not be used by anyone other than those specified parties.

s/ Stanley E. Siebke

Urbandale, Iowa
September 29, 2004

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2004

Part 1: Summary of the Independent Auditor's Results

(a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

(b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, but the item was not considered to be a material weakness.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2004

Part II: Findings Related to the Financial Statements

Instances of Non-compliance

No matters were noted.

Reportable Conditions

04-II-A Segregation of Duties

One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one employee is involved in cash receipts, bank deposits, utility billings, cash disbursements, general ledger accounting and bank reconciliations.

I realize that with the limited number of employees, improvement of these controls is not economically feasible. However, I believe that management of the City should be aware of the situation.

Response: The Council is aware of the situation.

Conclusion: Response accepted.

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting

04-III-A Official Depositories

A resolution naming official depositories has been approved by the City. The maximum deposit amounts named in the resolution were not exceeded during the year ended June 30, 2004.

04-III-B Certified Budget

City expenditures during the year ended June 30, 2004 exceeded amounts budgeted therefore in the culture and recreation and debt service programs. Chapter 384 of the Code of Iowa prohibits such budget overruns. City officials should carefully monitor expenditures and prepare budget amendments when necessary.

Response: We will carefully monitor expenditures to avoid budget overruns.

Conclusion: Response accepted.

04-III-C Questionable Disbursements

I noted no expenditures for parties, banquets, or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

04-III-D Travel Expense

No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

04-III-E Business Transactions

During the year ended June 30, 2004, there were no business transactions between the City and City officials.

04-III-F Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

04-III-G Council Minutes

No transactions were found that I believe should have been approved in the Council minutes but were not.

I did note occasions when the Council minutes were not published within fifteen days of the Council meeting in accordance with Chapter 372.13(b) of the Code of Iowa. In addition, the published Council minutes did not include the amount of disbursements from each fund or the summary of receipts. The City should publish the Council minutes and required information within fifteen days of the Council meeting.

Response: We will attempt to publish the Council minutes with fifteen days of the meeting and include all required items.

Conclusion: Response accepted.

04-III-H Water and Electric Revenue Bonds
The provisions of the resolutions for the issuance of the revenue bonds relating to funding of the sinking funds were followed.

04-III-I Deposits and Investments
I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

04-III-J Deficit Fund Balance
At June 30, 2004, the City had a deficit fund balance in the Water Construction Fund of $28,507. The City should make the necessary transfers to eliminate this deficit.

Response: We are working to eliminate the deficit.

Conclusion: Response accepted.