CITY OF PANORA

Panora, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2005

With Independent Auditor's Reports

CITY OF PANORA
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CITY OF PANORA
City Officials
June 30, 2005

Name	Title	Term Expires
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

* Don Van Winkle resigned effective September 26, 2005.
** Sue Cosner resigned effective June 3, 2005.

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, 2005, 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, 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, 2005 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.

In accordance with Government Auditing Standards, I have also issued my report dated October 6, 2005 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, 2004 (none of which are presented herein) and expressed a qualified opinion on the financial statements for the years ended June 30, 2003 and 2002 due to the absence of a record of fixed assets. My opinion on the financial statements for the year ended June 30, 2004 was unqualified. 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
October 6, 2005

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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 23.4%, or $180,221, from fiscal 2004 to fiscal 2005. Property tax revenues increased $17,694, while tax increment revenues increased $11,012. Other city taxes increased another $69,948. These other city taxes include the new local option sales tax.

- Disbursements increased 11.2%, or $83,276 in fiscal 2005 from fiscal 2004. Public safety, general government and community and economic development disbursements increased $41,095, $3,484, and $34,326 respectively. These increases were partially offset by a decrease in public works, and cultural and recreation disbursements of $25,383 and $1,615 respectively.

- The City's total cash basis net assets increased 9.7%, or $187,573, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased $174,161 and the assets of the business type activities increased by $13,412.

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, which are the City's 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 $174,161 from a year ago, from $684,897 to $859,058. 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, 2005	2004
Receipts:		
Property tax	$ 444,863	427,169
TIF revenues	88,637	77,625
Other city taxes	78,978	9,030
Licenses and permits	6,669	4,798
Use of money and property	30,878	17,908
Intergovernmental	212,240	159,865
Charges for services	38,231	39,742
Special assessments	20,174	20,992
Miscellaneous	29,560	12,880
Total Receipts	950,230	770,009
Disbursements:		
Operating:		
Public safety	242,114	201,019
Public works	113,766	139,149
Culture and recreation	99,237	100,852
Community and economic development	84,081	49,755
General government	31,790	28,306
Capital outlay:		
Public safety	0	58,591
Public works	22,269	0
Debt service	151,465	165,916
Capital projects	82,142	0
Total Disbursements	826,864	743,588
Excess of Receipts over Disbursements	123,366	26,421
Other Financing Sources - Transfers	50,795	46,280
Increase in Cash Basis Net Assets	174,161	72,701
Cash Basis Net Assets at Beginning of Year	684,897	612,196
Cash Basis Net Assets at End of Year	$ 859,058	684,897

The City's total receipts for governmental activities increased by 23.4%, or $180,221. The total cost of all programs and services increased by $83,276, or 11.2%.

The cost of all governmental activities this year was $826,864 compared to $743,588 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 $547,874 because some of the cost was paid by those who directly benefited from the programs ($40,451) or by other governments and organizations that subsidized certain programs with grants and contributions ($238,539).

Change in Cash Basis Net Assets of Business Type Activities

	Years Ended June 30,	
	2005	2004
Operating Receipts:		
Charges for service:		
Water	$ 349,037	334,003
Sewer	226,362	194,445
Electric	918,872	838,726
Garbage	47,685	48,029
Landfill	24,127	24,317
Total Operating Receipts	1,566,083	1,439,520
Operating Disbursements:		
Business type activities:		
Water	197,729	226,689
Sewer	138,137	142,611
Electric	788,211	726,865
Garbage	39,666	39,417
Landfill	24,381	27,025
Storm sewer	9,000	0
Construction	0	69,166
Total Operating Disbursements	1,197,124	1,231,773
Excess of Operating Receipts over Operating Disbursements	368,959	207,747
Capital Outlay		
Sewer	268,735	0
Electric	110,175	0
Total Capital Outlay	378,910	0
Total Non-Operating Receipts (Disbursements)	23,363	(160,458)
Net Change in Cash Balances	13,412	47,289
Cash Basis Net Assets at Beginning of Year	1,245,560	1,198,271
Cash Basis Net Assets at End of Year	$ 1,258,972	1,245,560

Total business type activities receipts for the fiscal year were $1,838,578 compared to $1,528,433 last year. This significant increase was due primarily to the receipt of $260,350 of debt proceeds in fiscal 2005 compared to $78,108 in fiscal 2004. Total disbursements and transfers for the fiscal year increased by 23.2% to a total of $1,825,166. This significant increase was largely due to capital outlays of $378,910.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Panora completed the year, its governmental funds reported a combined fund balance of $859,058, an increase of $174,161 above last year's total of $684,897. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- Much of the increase was due to the first full year of collections of local option sales tax, which brought in $78,978. The City intends to use these receipts to finance library operations, capital improvements, and economic development activity. With total disbursements of only $3,805, the Local Option Sales Tax Fund balance increased by $75,173 to $88,718.
- The General Fund cash balance increased $18,259 from the prior year to $375,627. One reason the General Fund increased so much because disbursements were not as great in FY2005 as they were in FY2004, which saw a capital outlay of $58,591 for public safety (there were no General Fund capital outlays in FY 2005).
- The Road Use Tax Fund cash balance increased by $27,732 to $140,485 during the fiscal year. The City intends to use this money to upgrade the condition of City streets.
- The Employee Benefits Fund increased by $32,729. This fund increased because of allocating sufficient property tax receipts to pay the cost of payroll taxes and fringe benefits for city employees. The City has a partially self-funded insurance program. It carries health insurance for its employees, but there is a large deductible: $1,500 per individual and $3,000 per family. The City has committed to paying all but $100 of that deductible for employees and all but $200 for an employee's family. The City seeks to keep its Employee Benefits fund at a level that it can pay all deductibles it may incur in a worst-case scenario.
- The Debt Service Fund increased by $16,765 to $38,297. The City intends to continue increasing this fund in anticipation of future bond issues and possible early retirement of debt.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by $36,071 to $277,299. We are anticipating spending this increase and more of the cash on hand for future planned improvements, particularly new water lines on P-28 and Highway 44.
- The Sewer Fund cash balance increased by $46,817 to $248,407. We are anticipating spending this increase and more of the cash on hand for future planned improvements, particularly new sewer lines on P-28 and Highway 44.
- The Electric Fund cash balance decreased by $96,749 to $668,196 due primarily to receipts not increasing as rapidly as the cost of purchased electricity.

- The Garbage Fund cash balance increased by $8,019 to $ 32,763 and the Landfill Fund cash balance decreased by $254 to $27,698. 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 May 23, 2005 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, 2005, the City had $2,322,408 in bonds and other long-term debt, compared to $2,169,475 last year, as shown below.

	Outstanding Debt at Year End	
	June 30, 2005	June 30, 2004
General obligation bonds	$ 677,427	665,000
Promissory note	46,780	58,475
Revenue bonds	1,598,201	1,446,000
	$ 2,322,408	2,169,475

Revenue debt increased as a result of borrowing from the state's revolving loan fund for sewer plant improvements (effluent diffuser).

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 $677,427 was significantly below its constitutional debt limit of $2,034,828.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Panora's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees that will be charged for various City activities. One of these factors is the economy. The unemployment rate in Guthrie County of 3.8% is below the State's unemployment rate of 4.6% and the National rate of 4.9%.

Inflation in the State during fiscal year 2005 was the same as the national level. The State's CPI increase and the National CPI increase were both 2.5% for the year.

While property taxes are important to the City, they constitute less than 18% of total program resources excluding other financing sources. TIF revenues comprised 6.28% of revenues. The largest revenue source, at over 62% 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. Water rates have been and will be steadily increased, as the City has adopted an ordinance that increases water rates each year for the next several years. Sewer rates also are being raised. However, electric rates need to be raised to make up for the losses that the Electric Department has seen due to large increases in wholesale electricity. Fortunately, interest revenues were up again after having suffered a drastic decline the previous year.

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 James Marwedal, 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, 2005

	Disbursements	Charges for Services	Program Receipts Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Function / Programs:				
Governmental activities:				
Public safety	$ 242,114	29,648	34,263	0
Public works	136,035	325	99,696	0
Culture and recreation	99,237	8,259	9,552	0
Community and economic development	84,081	0	74,854	0
General government	31,790	2,219	0	0
Debt service	151,465	0	20,174	0
Capital projects	82,142	0	0	0
Total Governmental Activities	826,864	40,451	238,539	0
Business type activities:				
Water	312,966	345,337	0	0
Sewer	138,137	217,306	0	0
Electric	871,311	910,522	12,145	0
Garbage	39,666	47,685	0	0
Landfill	24,381	24,127	0	0
Storm sewer	9,000	0	0	0
Construction	378,910	0	0	0
Total Business Type Activities	1,774,371	1,544,977	12,145	0
Total	$ 2,601,235	1,585,428	250,684	0
Component Unit:				
Panora Public Library Foundation:				
Culture and recreation	$ 19,462	0	0	171,478

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 Year

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, 2005

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(178,203)	0	(178,203)
(36,014)	0	(36,014)
(81,426)	0	(81,426)
(9,227)	0	(9,227)
(29,571)	0	(29,571)
(131,291)	0	(131,291)
(82,142)		(82,142)
(547,874)	0	(547,874)
0	32,371	32,371
0	79,169	79,169
0	51,356	51,356
0	8,019	8,019
0	(254)	(254)
0	(9,000)	(9,000)
0	(378,910)	(378,910)
0	(217,249)	(217,249)
(547,874)	(217,249)	(765,123)
152,016	0	152,016

	Primary Government		
Governmental Activities	Business Type Activities	Total	Component Unit
(547,874)	(217,249)	(765,123)	152,016
308,502	0	308,502	0
88,637	0	88,637	0
136,361	0	136,361	0
78,978	0	78,978	0
30,878	0	30,878	0
0	260,350	260,350	0
27,884	21,106	48,990	0
50,795	(50,795)	0	0
722,035	230,661	952,696	0
174,161	13,412	187,573	152,016
684,897	1,245,560	1,930,457	393,281
$ 859,058	1,258,972	2,118,030	545,297
$ 140,485	0	140,485	0
143,851	0	143,851	0
38,297	292,225	330,522	0
145,706	0	145,706	545,297
390,719	966,747	1,357,466	0
$ 859,058	1,258,972	2,118,030	545,297

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2005

	General	Road Use Tax	Special Revenue Employee Benefits
Receipts:			
Property tax	$ 190,877	0	99,345
TIF revenues	0	0	0
Other city taxes	0	0	0
Licenses and permits	6,669	0	0
Use of money and property	30,878	0	0
Intergovernmental	42,487	97,696	0
Charges for services	37,616	0	0
Special assessments	0	0	0
Miscellaneous	16,064	2,000	0
Total Receipts	324,591	99,696	99,345
Disbursements:			
Operating:			
Public safety	209,208	0	31,116
Public works	43,406	49,695	17,860
Culture and recreation	66,743	0	14,590
Community and economic development	0	0	0
General government	28,740	0	3,050
Capital outlay:			
Public works	0	22,269	0
Debt service	0	0	0
Capital projects	0	0	0
Total Disbursements	348,097	71,964	66,616
Excess (Deficit) of Receipts over (under) Disbursements	(23,506)	27,732	32,729
Other Financing Sources - Transfers	41,765	0	0
Net Change in Cash Balances	18,259	27,732	32,729
Cash Balances at Beginning of Year	357,368	112,753	10,982
Cash Balances at End of Year	$ 375,627	140,485	43,711
Cash Basis Fund Balances:			
Reserved:			
Debt service	$ 0	0	0
Unreserved:			
General fund	375,627	0	0
Special revenue funds	0	140,485	43,711
Capital projects fund	0	0	0
Permanent fund	0	0	0
Total Cash Basis Fund Balances	$ 375,627	140,485	43,711

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, 2005

Local Option Sales Tax	Debt Service	Other Nonmajor Governmental Funds	Total
0	136,361	18,280	444,863
0	0	88,637	88,637
78,978	0	0	78,978
0	0	0	6,669
0	0	0	30,878
0	0	72,057	212,240
0	0	615	38,231
0	20,174	0	20,174
0	0	11,496	29,560
78,978	156,535	191,085	950,230
0	0	1,790	242,114
2,805	0	0	113,766
1,000	0	16,904	99,237
0	0	84,081	84,081
0	0	0	31,790
0	0	0	22,269
0	139,770	11,695	151,465
0	0	82,142	82,142
3,805	139,770	196,612	826,864
75,173	16,765	(5,527)	123,366
13,545	0	(4,515)	50,795
88,718	16,765	(10,042)	174,161
0	21,532	182,262	684,897
88,718	38,297	172,220	859,058
0	38,297	0	38,297
0	0	0	375,627
88,718	0	239,271	512,185
0	0	(82,142)	(82,142)
0	0	15,091	15,091
88,718	38,297	172,220	859,058

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balaces - Proprietary Funds
As of and For the Year Ended June 30, 2005

	Water	Sewer	Enterprise Electric
Operating Receipts:			
Charges for services	$ 345,337	217,306	910,522
Miscellaneous	3,700	9,056	8,350
Total Operating Receipts	349,037	226,362	918,872
Disbursements:			
Operating:			
Business type activities	197,729	138,137	788,211
Capital outlay	0	268,735	110,175
Total Operating Disbursements	197,729	406,872	898,386
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	151,308	(180,510)	20,486
Non-Operating Receipts (Disbursements)			
Use of money and property - interest	0	0	6,595
Proceeds of long-term debt	0	260,350	0
Sale of equipment	0	0	5,550
Transfers	0	(33,023)	(46,280)
Debt service	(115,237)	0	(83,100)
Total Non-Operating Receipts (Disbursements)	(115,237)	227,327	(117,235)
Net Change in Cash Balances	36,071	46,817	(96,749)
Cash Balances at Beginning of Year	241,228	201,590	764,945
Cash Balances at End of Year	$ 277,299	248,407	668,196
Cash Basis Fund Balances:			
Unrestricted:			
Reserved for debt service	$ 171,150	0	121,075
Unreserved	106,149	248,407	547,121
Total Cash Basis Fund Balances	$ 277,299	248,407	668,196

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, 2005

Funds Garbage	Landfill	Storm Sewer	Construction	Total
47,685	24,127	0	0	1,544,977
0	0	0	0	21,106
47,685	24,127	0	0	1,566,083
39,666	24,381	9,000	0	1,197,124
0	0	0	0	378,910
39,666	24,381	9,000	0	1,576,034
8,019	(254)	(9,000)	0	(9,951)
0	0	0	0	6,595
0	0	0	0	260,350
0	0	0	0	5,550
0	0	33,023	(4,515)	(50,795)
0	0	0	0	(198,337)
0	0	33,023	(4,515)	23,363
8,019	(254)	24,023	(4,515)	13,412
24,744	27,952	0	(14,899)	1,245,560
32,763	27,698	24,023	(19,414)	1,258,972
0	0	0	0	292,225
32,763	27,698	24,023	(19,414)	966,747
32,763	27,698	24,023	(19,414)	1,258,972

(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 reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has 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.

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax, the use of which is restricted for the Panora public library, infrastructure and capital improvements and economic development activities.

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.

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, 2005, 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, 2005, disbursements exceeded the amounts budgeted in the business type activities function.

(2) Pooled Deposits and Investments
The City's deposits at June 30, 2005 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, 2005 general obligation, lease, promissory note, and revenue bond indebtedness is as follows:

Year Ending	Interest	General Obligation Bonds, Leases and Promissory Note		Water Revenue Bonds		Sewer Revenue Bonds and Notes		Electric Revenue Bonds		
June 30,	Rates	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2006	0 - 5.25	$137,827	33,939	77,000	35,105	21,449	8,561	65,000	20,030	398,911
2007	0 - 5.25	143,594	27,651	83,000	32,195	21,752	7,958	65,000	17,105	398,255
2008	0 - 5.30	137,484	21,208	84,000	29,045	10,000	7,350	70,000	14,148	373,235
2009	0 - 5.35	147,969	14,867	90,000	25,810	11,000	7,050	75,000	10,927	382,623
2010	3.00 - 5.40	106,782	7,935	96,000	22,270	11,000	6,720	75,000	7,403	333,110
		673,656	105,600	430,000	144,425	75,201	37,639	350,000	69,613	1,886,134
2011-2015	3.00 - 4.90	50,551	5,674	450,000	49,950	61,000	28,440	80,000	3,840	729,455
2016-2020	3.00	0	0	0	0	71,000	18,690	0	0	89,690
2021-2025	3.00	0	0	0	0	81,000	7,440	0	0	88,440
		$724,207	111,274	880,000	194,375	288,201	92,209	430,000	73,453	2,793,719

Interest paid on General Obligation Bonds, leases and notes amounted to $34,984, interest paid on Water Revenue Bonds amounted to $37,985, interest paid on sewer revenue notes amounted to $771 and interest paid on Electric Revenue Bonds amounted to $22,700. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2005 are as follows:

Type of Indebtedness	Amount
General Obligation Bonds	$ 38,297
Water Revenue Bonds	171,150
Electric Revenue Bonds	121,075
	$ 330,522

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 Sewer Revenue Bonds provide for annual transfers to the Sewer Sinking Fund sufficient to cover the annual principal and interest payments on the Sewer Revenue Bonds and Notes. 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	Sewer	Electric
2006	$ 112,105	30,010	85,030
2007	115,195	29,710	82,105
2008	113,045	17,350	84,148
2009	115,810	18,050	85,927
2010	118,270	17,720	82,403
	574,425	112,840	419,613
2011-2015	499,950	89,440	83,840
2016-2020	0	89,690	0
2021-2025	0	88,440	0
	$ 1,074,375	380,410	503,453

(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 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were $19,863, $18,698, and $20,020, 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, 2005 was $5,269.

(6) General Long-Term Debt Account Group

Changes in the general long-term debt account group during the year ended June 30, 2005 are summarized as follows:

	General Obligation Bonds	Promissory Note	Loans	Total
Balance at beginning of the year	$ 665,000	58,475	0	723,475
New loans issued	0	0	138,919	138,919
Principal payments during the year	(105,000)	(11,695)	(21,492)	(138,187)
Balance at end of the year	$ 560,000	46,780	117,427	724,207

(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, 2005 is as follows:

Type of Benefit	Amount
Sick leave	$44,456
Vacation	12,553
Personal leave	16,946
	$73,955

The liability has been computed based on rates of pay as of June 30, 2005.

(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, 2005, the City of Panora had a deficit fund balance in the Water Construction Fund of $33,023 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. At June 30, 2005, the City of Panora had a deficit fund balance of $82,142 in the Capital Projects Fund as a result of disbursements exceeding receipts during the year ended June 30, 2005. This deficit will be eliminated when permanent financing is received for the project.

(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, 2005, disbursements in the Business type activities program exceeded the amounts budgeted.

(12) Commitments

At June 30, 2005, the City has open construction contracts totaling $206,362.

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, 2005

	Governmental Funds	Proprietary Funds	Total
Receipts:			
Property tax	$ 444,863	0	444,863
TIF revenues	88,637	0	88,637
Other city taxes	78,978	0	78,978
Licenses and permits	6,669	0	6,669
Use of money and property	30,878	6,595	37,473
Intergovernmental	212,240	0	212,240
Charges for services	38,231	1,544,977	1,583,208
Special assessments	20,174	0	20,174
Miscellaneous	29,560	21,106	50,666
Other financing sources	50,795	265,900	316,695
Total Receipts	1,001,025	1,838,578	2,839,603
Disbursements:			
Public safety	242,114	0	242,114
Public works	136,035	0	136,035
Culture and recreation	99,237	0	99,237
Community and economic development	84,081	0	84,081
General government	31,790	0	31,790
Debt service	151,465	0	151,465
Capital projects	82,142	0	82,142
Business type activities	0	1,774,371	1,774,371
Other financing uses	0	50,795	50,795
Total Disbursements	826,864	1,825,166	2,652,030
Excess of Receipts over Disbursements	174,161	13,412	187,573
Balances at Beginning of Year	684,897	1,245,560	1,930,457
Balances at End of Year	$ 859,058	1,258,972	2,118,030

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, 2005

Budgeted Amounts		Variance
Original	Amended	to Final
437,443	437,443	7,420
65,666	65,666	22,971
37,594	37,594	41,384
0	0	6,669
32,000	32,000	5,473
363,910	363,910	(151,670)
1,520,427	1,520,427	62,781
0	0	20,174
14,553	14,553	36,113
931,824	931,824	(615,129)
3,403,417	3,403,417	(563,814)
247,030	268,030	25,916
149,195	149,195	13,160
97,732	109,367	10,130
246,756	246,756	162,675
31,369	39,464	7,674
151,465	151,465	0
780,000	780,000	697,858
1,482,988	1,482,988	(291,383)
71,724	71,724	20,929
3,258,259	3,298,989	646,959
145,158	104,428	83,145
1,820,024	1,820,024	110,433
1,965,182	1,924,452	193,578

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, 2005

	Veterans Auditorium	D.A.R.E	Special Police Forfeiture
Receipts:			
Property tax	$ 18,280	0	0
TIF revenues	0	0	0
Intergovernmental	0	0	0
Charges for services	615	0	0
Miscellaneous	0	1,974	4,522
Total Receipts	18,895	1,974	4,522
Disbursements:			
Operating:			
Public safety	0	1,214	576
Culture and recreation	14,929	0	0
Community and economic development	0	0	0
Debt service	0	0	0
Capital projects	0	0	0
Total Disbursements	14,929	1,214	576
Excess (Deficit) of Receipts over (under) Disbursements	3,966	760	3,946
Operating transfers in (out)	0	0	0
Net Change in Cash Balances	3,966	760	3,946
Cash Balances at Beginning of Year	0	835	3,770
Cash Balances at End of Year	$ 3,966	1,595	7,716
Cash Basis Fund Balances:			
Unreserved:			
Special revenue funds	$ 3,966	1,595	7,716
Capital projects fund	0	0	0
Permanent fund	0	0	0
	$ 3,966	1,595	7,716

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, 2005

Revenue Low/Mod Housing	TIF - NE	TIF - NW	Economic Development	Capital Projects	Permanent Trust and Agency	Total
0	0	0	0	0	0	18,280
0	47,218	41,419	0	0	0	88,637
69,854	0	0	0	0	2,203	72,057
0	0	0	0	0	0	615
0	0	0	5,000	0	0	11,496
69,854	47,218	41,419	5,000	0	2,203	191,085
0	0	0	0	0	0	1,790
0	0	0	0	0	1,975	16,904
61,144	0	16,967	5,970	0	0	84,081
0	11,695	0	0	0	0	11,695
0	0	0	0	82,142	0	82,142
61,144	11,695	16,967	5,970	82,142	1,975	196,612
8,710	35,523	24,452	(970)	(82,142)	228	(5,527)
10,444	0	(10,444)	(4,515)	0	0	(4,515)
19,154	35,523	14,008	(5,485)	(82,142)	228	(10,042)
3,726	73,476	12,978	72,614	0	14,863	182,262
22,880	108,999	26,986	67,129	(82,142)	15,091	172,220
22,880	108,999	26,986	67,129	0	0	239,271
0	0	0	0	(82,142)	0	(82,142)
0	0	0	0	0	15,091	15,091
22,880	108,999	26,986	67,129	(82,142)	15,091	172,220

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds and Notes:			
Capital Loan Notes	November 1, 1998	4.10 - 4.60	$ 280,000
General Obligation Notes	June 1, 2000	5.25 - 5.40	610,000
Police car lease	July 27, 2004	5.05	18,850
Fire truck loan	February 24, 2005	4.50	120,069
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
Sewer SRF	May 23, 2005	3.00	265,000
Bank loan	July 20, 2004	3.00	34,490
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, 2005

Balance June 30, 2004	Issued	Redeemed	Balance June 30, 2005	Interest Paid
$ 155,000	0	30,000	125,000	6,920
510,000	0	75,000	435,000	27,050
0	18,850	6,023	12,827	733
0	120,069	15,469	104,600	281
665,000	138,919	126,492	677,427	34,984
58,475	0	11,695	46,780	0
615,000	0	50,000	565,000	27,755
341,000	0	26,000	315,000	10,230
956,000	0	76,000	880,000	37,985
0	265,000	0	265,000	0
0	34,490	11,289	23,201	771
0	299,490	11,289	288,201	771
490,000	0	60,000	430,000	22,700
1,446,000	299,490	147,289	1,598,201	61,456
$ 2,169,475	438,409	285,476	2,322,408	96,440

CITY OF PANORA
Bond and Note Maturities
June 30, 2005

Year Ending June 30,	Capital Loan Notes Issued 11-1-98 Interest Rates	Amount	General Obligation Notes Issued 6-1-00 Interest Rates	Amount	General Obligation Bonds and Notes: Police car lease Issued 7-27-04 Interest Rates	Amount
2006	4.40%	$ 30,000	5.25	80,000	5.05	6,252
2007	4.45	30,000	5.25	85,000	5.05	6,575
2008	4.50	30,000	5.30	85,000	--	--
2009	4.60	35,000	5.35	90,000	--	--
2010	--	--	5.40	95,000	--	--
2011	--	--	--	--	--	--
2012	--	--	--	--	--	--
2013	--	--	--	--	--	--
2014	--	--	--	--	--	--
		$ 125,000		435,000		12,827

Year Ending June 30,	Water Revenue Bonds: Issued 5-1-01 Interest Rates	Amount	SRF Interest Rates	Amount	Total
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
2016	--	--	--	--	--
2017	--	--	--	--	--
2018	--	--	--	--	--
2019	--	--	--	--	--
2020	--	--	--	--	--
2021	--	--	--	--	--
2022	--	--	--	--	--
2023	--	--	--	--	--
2024	--	--	--	--	--
2025	--	--	--	--	--
		$ 565,000		315,000	880,000

CITY OF PANORA
Bond and Note Maturities
June 30, 2005

Fire truck loan Issued 2-24-05			Promissory Note Guthrie County R.E.C. Issued 9-9-98	
Interest Rates	Amount	Total	Interest Rates	Amount
4.50	9,880	126,132	--	$ 11,695
4.50	10,324	131,899	--	11,695
4.50	10,789	125,789	--	11,695
4.50	11,274	136,274	--	11,695
4.50	11,782	106,782	--	--
4.50	12,312	12,312	--	--
4.50	12,866	12,866	--	--
4.50	13,445	13,445	--	--
4.50	11,928	11,928	--	--
	104,600	677,427		$ 46,780

Sewer Revenue Bonds and Notes					Electric Revenue Bonds Issued 2-1-01	
SRF		Bank loan				
Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount
3.00%	$ 10,000	3.00	11,449	21,449	4.50%	$ 65,000
3.00	10,000	3.00	11,752	21,752	4.55	65,000
3.00	10,000	--	--	10,000	4.60	70,000
3.00	11,000	--	--	11,000	4.70	75,000
3.00	11,000	--	--	11,000	4.75	75,000
3.00	11,000	--	--	11,000	4.80	80,000
3.00	12,000	--	--	12,000	--	--
3.00	12,000	--	--	12,000	--	--
3.00	13,000	--	--	13,000	--	--
3.00	13,000	--	--	13,000	--	--
3.00	13,000	--	--	13,000	--	--
3.00	14,000	--	--	14,000	--	--
3.00	14,000	--	--	14,000	--	--
3.00	15,000	--	--	15,000	--	--
3.00	15,000	--	--	15,000	--	--
3.00	15,000	--	--	15,000	--	--
3.00	16,000	--	--	16,000	--	--
3.00	16,000	--	--	16,000	--	--
3.00	17,000	--	--	17,000	--	--
3.00	17,000	--	--	17,000	--	--
	$ 265,000		23,201	288,201		$ 430,000

CITY OF PANORA
Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

	Years Ended June 30			
	2005	2004	2003	2002
Receipts:				
Property tax	$ 444,863	427,169	399,894	370,023
TIF revenues	88,637	77,625	65,783	47,859
Other city taxes	78,978	9,030	3,343	0
Licenses and permits	6,669	4,798	2,803	2,196
Use of money and property	30,878	17,908	38,369	59,717
Intergovernmental	212,240	159,865	165,769	197,696
Charges for services	38,231	39,742	23,245	32,890
Special assessments	20,174	20,992	19,961	23,672
Miscellaneous	29,560	12,880	52,299	22,515
Total Receipts	$ 950,230	770,009	771,466	756,568
Disbursements:				
Public safety	$ 242,114	259,610	198,135	205,007
Public works	136,035	139,149	128,168	130,013
Culture and recreation	99,237	100,852	92,896	77,641
Community and economic development	84,081	49,755	23,829	34,309
General government	31,790	28,306	98,943	92,464
Debt service	151,465	165,916	169,050	169,818
Capital projects	82,142	0	0	0
Total Disbursements	$ 826,864	743,588	711,021	709,252

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, 2005 and have issued my report thereon dated October 6, 2005. 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 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, 2005 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 05-III-B, 05-III-G and 05-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 05-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
October 6, 2005

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2005

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, 2005

Part II: Findings Related to the Financial Statements

Instances of Non-compliance

No matters were noted.

Reportable Conditions

05-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, 2005

Part III: Other Findings Related to Statutory Reporting

05-III-A Official Depositories

A resolution naming official depositories has been approved by the City. The maximum deposit amounts named in the resolution were exceeded during the year ended June 30, 2005. City officials should review the depository resolution to determine if it needs to be increased to cover current deposit levels.

Response: We will increase the amount of deposits allowed under the depository resolution.

Conclusion: Response accepted.

05-III-B Certified Budget

City expenditures during the year ended June 30, 2005 exceeded amounts budgeted therefore in the business type activities program. 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.

05-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.

05-III-D Travel Expense

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

05-III-E Business Transactions

During the year ended June 30, 2005, there were no business transactions between the City and City officials.

05-III-F Bond Coverage

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

05-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.

05-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.

05-III-I Deposits and Investments

Except as noted in item 05-III-A, I noted no other instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

05-III-J Deficit Fund Balance

At June 30, 2005, the City had deficit fund balances in the Water Construction Fund of $33,023 and the Capital Projects Fund of $82,145. The City should make the necessary transfers to eliminate these deficits.

Response: We are working to eliminate the deficits.

Conclusion: Response accepted.