

CITY OF PANORA

Panora, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2006

With Independent Auditor's Reports

CITY OF PANORA
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CITY OF PANORA

City Officials
June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Prior to January 1, 2006</u>		
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
James Marwedel	Clerk/Administrator	Indefinite
Joyce Calmer	Treasurer	Indefinite
Jeffrey Bump	Attorney	Indefinite

* Don Van Winkle resigned effective September 26, 2005 and was replaced by Curtis Thornberry.

<u>Subsequent to December 31, 2005</u>		
Steve Baker	Mayor	December 31, 2007
David Beidelman	Mayor Pro Tem	December 31, 2007
Mark Humphreys	Council Member	December 31, 2007
Pat Parker	Council Member	December 31, 2009
Curtis Thornberry	Council Member	December 31, 2009
Mark Vogel	Council Member	December 31, 2009
James Marwedel	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, 2006, 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, 2006 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 July 12, 2007 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 grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of 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 have applied certain 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, 2005 (none of which are presented herein) and expressed a qualified opinion on the financial statements for the year ended June 30, 2003 due to the absence of a record of fixed assets. My opinions on the financial statements for the years ended June 30, 2005 and 2004 were unqualified. Other supplementary information included on pages 26 through 32 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
July 12, 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 5.8%, or \$55,104, from fiscal 2005 to fiscal 2006. Property tax revenues decreased \$19,758, while tax increment revenues increased \$14,246. Other city taxes increased another \$29,841. These other city taxes include the local option sales tax.
- Disbursements increased 8.2%, or \$67,657 in fiscal 2006 from fiscal 2005. Public safety, public works, culture and recreation and community and economic development disbursements increased \$8,893, \$27,844, \$61,084 and \$20,388, respectively. These increases were partially offset by a decrease in capital projects of \$43,562.
- The City's total cash basis net assets increased 3%, or \$64,387, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased \$157,093 and the assets of the business type activities decreased by \$92,706.

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, solid waste/recycling operations, and the storm sewer. 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 five Enterprise Funds to provide separate information for the water, sewer, electric, solid waste, and storm sewer 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 \$157,093 from a year ago, from \$859,059 to \$1,016,152. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Years Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Receipts:		
Property tax	\$ 425,105	444,863
TIF revenues	102,883	88,637
Other city taxes	108,819	78,978
Licenses and permits	10,131	6,669
Use of money and property	39,248	30,878
Intergovernmental	215,729	212,240
Charges for services	61,506	38,231
Special assessments	19,356	20,174
Miscellaneous	22,557	29,560
Total Receipts	<u>1,005,334</u>	<u>950,230</u>
Disbursements:		
Operating:		
Public safety	251,007	242,114
Public works	163,879	113,766
Culture and recreation	160,321	99,237
Community and economic development	104,469	84,081
General government	25,042	31,790
Capital outlay:		
Public works	0	22,269
Debt service	151,223	151,465
Capital projects	38,580	82,142
Total Disbursements	<u>894,521</u>	<u>826,864</u>
Excess of Receipts over Disbursements	110,813	123,366
Other Financing Sources - Transfers	<u>46,280</u>	<u>50,795</u>
Increase in Cash Basis Net Assets	157,093	174,161
Cash Basis Net Assets at Beginning of Year	859,059	684,898
Cash Basis Net Assets at End of Year	<u>\$ 1,016,152</u>	<u>859,059</u>

The City's total receipts for governmental activities increased by 5.8%, or \$55,104. The total cost of all programs and services increased by \$67,657, or 8.2%.

The cost of all governmental activities this year was \$894,521 compared to \$826,864 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 \$582,496 because some of the cost was paid by those who directly benefited from the programs (\$71,940) or by other governments and organizations that subsidized certain programs with grants and contributions (\$240,085).

Change in Cash Basis Net Assets of Business Type Activities

	Years Ended June 30,	
	<u>2006</u>	<u>2005</u>
Operating Receipts:		
Charges for service:		
Water	\$ 349,158	349,037
Sewer	225,776	226,362
Electric	973,573	918,872
Garbage	47,429	47,685
Landfill	24,399	24,127
Storm sewer	5,967	0
Total Operating Receipts	<u>1,626,302</u>	<u>1,566,083</u>
Operating Disbursements:		
Business type activities:		
Water	214,089	197,729
Sewer	154,739	138,137
Electric	920,024	788,211
Garbage	39,370	39,666
Landfill	23,500	24,381
Storm sewer	19,329	0
Construction	0	9,000
Total Operating Disbursements	<u>1,371,051</u>	<u>1,197,124</u>
Excess of Operating Receipts over Operating Disbursements	255,251	368,959
Capital Outlay:		
Water	57,200	0
Sewer	27,136	268,735
Electric	12,698	110,175
Total Capital Outlay	<u>97,034</u>	<u>378,910</u>
Total Non-Operating Receipts (Disbursements)	<u>(250,923)</u>	<u>23,363</u>
Net Change in Cash Balances	(92,706)	13,412
Cash Basis Net Assets at Beginning of Year	1,258,972	1,245,560
Cash Basis Net Assets at End of Year	<u>\$ 1,166,266</u>	<u>1,258,972</u>

Total business type activities receipts for the fiscal year were \$1,638,643 compared to \$1,838,578 last year. This significant decrease was due primarily to the receipt of \$260,350 of debt proceeds in fiscal 2005 compared to \$2,000 in fiscal 2006. Total disbursements and transfers for the fiscal year decreased by 5.1% to a total of \$1,731,349. This significant decrease was largely due to a reduction in capital outlays from \$378,910 to \$97,034.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Panora completed the year, its governmental funds reported a combined fund balance of \$1,016,152, an increase of \$157,093 above last year's total of \$859,059. 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 TIF collections which increased \$14,246, local option sales tax, which increased \$29,841 and charges for services which increased \$23,275. The City intends to use these receipts to finance library operations, capital improvements, and economic development activity.
- The General Fund cash balance increased \$17,290 from the prior year to \$392,917. The reason the General Fund increased is the increase in revenue from charges for services, intergovernmental and use of money.
- The Road Use Tax Fund cash balance increased by \$57,715 to \$198,200 during the fiscal year. The City intends to use this money to upgrade the condition of City streets.
- The Employee Benefits Fund increased by \$3,541 to \$47,252. 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 Local Option Sales Tax Fund increased from \$44,286 to \$133,004. The major disbursement from this fund was the payment to the library.
- The TIF-NE Fund increased from \$108,999 to \$145,897. Funds are being accumulated in this fund for improvements to Rosehill Business Park and stormwater improvements on the Highway 44 Project.
- The Debt Service Fund increased by \$18,913 to \$57,210. The City intends to continue increasing this fund in anticipation of future bond issues and possible early debt retirement.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$21,777 to \$299,076. 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 \$27,639 to \$276,046. 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 \$80,518 to \$587,678 due to paying off debt.

- The Garbage Fund cash balance increased by \$8,059 to \$40,822 and the Landfill cash balance increased by \$899 to \$28,597. 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 22, 2006 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, 2006, the City had \$2,020,806 in bonds and other long-term debt, compared to \$2,322,408 last year, as shown below.

	Outstanding Debt at Year End	
	June 30, 2006	June 30, 2005
General obligation bonds	\$ 550,992	677,427
Promissory note	35,085	46,780
Revenue bonds	1,434,729	1,598,201
	<u>\$ 2,020,806</u>	<u>2,322,408</u>

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 \$560,992 was significantly below its constitutional debt limit of \$2,063,213.

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 2007 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 3.3% is below the State's unemployment rate of 3.4% and the National rate of 3.9%.

Inflation in the State during fiscal year 2006 was similar to the national level. The State's CPI increase was 3.2% and the National CPI increase was 3.4% for the fiscal year 2006.

While property taxes are important to the City, they constitute approximately 16% of total program resources excluding other financing sources. TIF revenues comprised 3.9% of revenues. The largest revenue source, at over 64% 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. Electric rates need to be raised to make up for the losses that the Electric Department has seen due to large increases in the cost of wholesale electricity. Fortunately, interest revenues were up again this 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 Joyce Calmer, City Finance 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, 2006

	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Function / Programs:				
Governmental activities:				
Public safety	\$ 251,007	52,508	31,247	0
Public works	163,879	0	98,377	16,591
Culture and recreation	160,321	8,295	20,694	0
Community and economic development	104,469	45	53,820	0
General government	25,042	11,092	0	0
Debt service	151,223	0	19,356	0
Capital projects	38,580	0	0	0
Total Governmental Activities	894,521	71,940	223,494	16,591
Business type activities:				
Water	327,381	349,158	0	0
Sewer	200,137	225,776	0	0
Electric	1,018,152	973,573	10,341	0
Garbage	39,370	47,429	0	0
Landfill	23,500	24,399	0	0
Storm sewer	19,329	5,967	0	0
Construction	57,200	0	0	0
Total Business Type Activities	1,685,069	1,626,302	10,341	0
Total	\$ 2,579,590	1,698,242	233,835	16,591
Component Unit:				
Panora Public Library Foundation:				
Culture and recreation	\$ 1,161,663	0	0	436,186

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, 2006

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
(167,252)	0	(167,252)	
(48,911)	0	(48,911)	
(131,332)	0	(131,332)	
(50,604)	0	(50,604)	
(13,950)	0	(13,950)	
(131,867)	0	(131,867)	
(38,580)		(38,580)	
(582,496)	0	(582,496)	
0	21,777	21,777	
0	25,639	25,639	
0	(34,238)	(34,238)	
0	8,059	8,059	
0	899	899	
0	(13,362)	(13,362)	
0	(57,200)	(57,200)	
0	(48,426)	(48,426)	
(582,496)	(48,426)	(630,922)	
(725,477)	0	(725,477)	
	<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
(582,496)	(48,426)	(630,922)	(725,477)
286,020	0	286,020	0
102,883	0	102,883	0
139,085	0	139,085	0
108,819	0	108,819	0
39,248	0	39,248	0
0	2,000	2,000	185,000
17,254	0	17,254	0
46,280	(46,280)	0	0
739,589	(44,280)	695,309	185,000
157,093	(92,706)	64,387	(540,477)
859,059	1,258,972	2,118,031	545,397
\$ 1,016,152	1,166,266	2,182,418	4,920
\$ 198,200	0	198,200	0
269,633	0	269,633	0
57,210	329,401	386,611	0
98,192	0	98,192	4,920
392,917	836,865	1,229,782	0
\$ 1,016,152	1,166,266	2,182,418	4,920

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2006

	<u>General</u>	<u>Road Use Tax</u>	<u>Special Employee Benefits</u>
Receipts:			
Property tax	\$ 195,844	0	71,941
TIF revenues	0	0	0
Other city taxes	0	0	0
Licenses and permits	10,131	0	0
Use of money and property	39,248	0	0
Intergovernmental	49,318	114,968	0
Charges for services	61,086	0	0
Special assessments	0	0	0
Miscellaneous	5,619	0	0
Total Receipts	<u>361,246</u>	<u>114,968</u>	<u>71,941</u>
Disbursements:			
Operating:			
Public safety	217,033	0	32,015
Public works	87,580	57,253	19,046
Culture and recreation	64,420	0	13,500
Community and economic development	0	0	0
General government	21,203	0	3,839
Debt service	0	0	0
Capital projects	0	0	0
Total Disbursements	<u>390,236</u>	<u>57,253</u>	<u>68,400</u>
Excess (Deficit) of Receipts over (under) Disbursements	(28,990)	57,715	3,541
Other Financing Sources - Transfers	<u>46,280</u>	<u>0</u>	<u>0</u>
Net Change in Cash Balances	17,290	57,715	3,541
Cash Balances at Beginning of Year	375,627	140,485	43,711
Cash Balances at End of Year	<u>\$ 392,917</u>	<u>198,200</u>	<u>47,252</u>
Cash Basis Fund Balances:			
Reserved:			
Debt service	\$ 0	0	0
Unreserved:			
General fund	392,917	0	0
Special revenue funds	0	198,200	47,252
Capital projects fund	0	0	0
Permanent fund	0	0	0
Total Cash Basis Fund Balances	<u>\$ 392,917</u>	<u>198,200</u>	<u>47,252</u>

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, 2006

<u>Revenue</u>			Other Nonmajor	
Local Option		Debt	Governmental	
Sales Tax	TIF - NE	Service	Funds	Total
0	0	139,085	18,235	425,105
0	48,593	0	54,290	102,883
108,819	0	0	0	108,819
0	0	0	0	10,131
0	0	0	0	39,248
0	0	0	51,443	215,729
0	0	0	420	61,506
0	0	19,356	0	19,356
0	0	0	16,938	22,557
<u>108,819</u>	<u>48,593</u>	<u>158,441</u>	<u>141,326</u>	<u>1,005,334</u>
0	0	0	1,959	251,007
0	0	0	0	163,879
61,433	0	0	20,968	160,321
3,100	0	0	101,369	104,469
0	0	0	0	25,042
0	11,695	139,528	0	151,223
0	0	0	38,580	38,580
<u>64,533</u>	<u>11,695</u>	<u>139,528</u>	<u>162,876</u>	<u>894,521</u>
44,286	36,898	18,913	(21,550)	110,813
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,280</u>
44,286	36,898	18,913	(21,550)	157,093
88,718	108,999	38,297	63,222	859,059
<u>133,004</u>	<u>145,897</u>	<u>57,210</u>	<u>41,672</u>	<u>1,016,152</u>
0	0	57,210	0	57,210
0	0	0	0	392,917
133,004	145,897	0	146,368	670,721
0	0	0	(120,722)	(120,722)
0	0	0	16,026	16,026
<u>133,004</u>	<u>145,897</u>	<u>57,210</u>	<u>41,672</u>	<u>1,016,152</u>

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Proprietary Funds
As of and For the Year Ended June 30, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Electric</u>
Operating Receipts:			
Charges for services	\$ 345,658	225,194	965,523
Miscellaneous	3,500	582	8,050
Total Operating Receipts	<u>349,158</u>	<u>225,776</u>	<u>973,573</u>
Disbursements:			
Operating:			
Business type activities	214,089	154,739	920,024
Capital outlay	0	27,136	12,698
Total Operating Disbursements	<u>214,089</u>	<u>181,875</u>	<u>932,722</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>135,069</u>	<u>43,901</u>	<u>40,851</u>
Non-Operating Receipts (Disbursements)			
Use of money and property - interest	0	0	10,341
Proceeds of long-term debt	0	2,000	0
Transfers	0	0	(46,280)
Debt service	(113,292)	(18,262)	(85,430)
Total Non-Operating Receipts (Disbursements)	<u>(113,292)</u>	<u>(16,262)</u>	<u>(121,369)</u>
Net Change in Cash Balances	21,777	27,639	(80,518)
Cash Balances at Beginning of Year	277,299	248,407	668,196
Cash Balances at End of Year	<u>\$ 299,076</u>	<u>276,046</u>	<u>587,678</u>
Cash Basis Fund Balances:			
Unrestricted:			
Reserved for debt service	\$ 171,650	0	157,751
Unreserved	127,426	276,046	429,927
Total Cash Basis Fund Balances	<u>\$ 299,076</u>	<u>276,046</u>	<u>587,678</u>

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, 2006

<u>Funds</u>					
<u>Garbage</u>	<u>Landfill</u>	<u>Storm Sewer</u>	<u>Construction</u>		<u>Total</u>
47,429	24,399	5,967	0		1,614,170
0	0	0	0		12,132
<u>47,429</u>	<u>24,399</u>	<u>5,967</u>	<u>0</u>		<u>1,626,302</u>
39,370	23,500	19,329	0		1,371,051
0	0	0	57,200		97,034
<u>39,370</u>	<u>23,500</u>	<u>19,329</u>	<u>57,200</u>		<u>1,468,085</u>
<u>8,059</u>	<u>899</u>	<u>(13,362)</u>	<u>(57,200)</u>		<u>158,217</u>
0	0	0	0		10,341
0	0	0	0		2,000
0	0	0	0		(46,280)
0	0	0	0		(216,984)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>(250,923)</u>
8,059	899	(13,362)	(57,200)		(92,706)
32,763	27,698	24,023	(19,414)		1,258,972
<u>40,822</u>	<u>28,597</u>	<u>10,661</u>	<u>(76,614)</u>		<u>1,166,266</u>
0	0	0	0		329,401
40,822	28,597	10,661	(76,614)		836,865
<u>40,822</u>	<u>28,597</u>	<u>10,661</u>	<u>(76,614)</u>		<u>1,166,266</u>

CITY OF PANORA
Notes to the Financial Statements
June 30, 2006

(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

CITY OF PANORA
Notes to the Financial Statements – Continued

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.

The Northeast TIF District Fund is used to account for the collection of TIF revenues used for the development within the Northeast TIF District.

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.

CITY OF PANORA
Notes to the Financial Statements - Continued

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

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, culture and recreation, debt service and business type activities functions.

(2) Pooled Deposits and Investments

The City's deposits at June 30, 2006 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.

CITY OF PANORA
Notes to the Financial Statements - Continued

(3) Long-Term Debt

A summary of the City's June 30, 2006 general obligation, lease, promissory note, and revenue bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	General Obligation Bonds, Leases and Promissory Note		Water Revenue Bonds		Sewer Revenue Bonds and Notes		Electric Revenue Bonds		Total
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2007	0 - 5.25%	\$143,608	27,638	83,000	32,195	21,729	7,754	65,000	17,105	398,029
2008	0 - 5.30	137,498	21,194	84,000	29,045	10,000	7,350	70,000	14,148	373,235
2009	0 - 5.35	147,984	14,852	90,000	25,810	11,000	7,050	75,000	10,927	382,623
2010	3.00 - 5.40	106,797	7,919	96,000	22,270	11,000	6,720	75,000	7,403	333,109
2011	3.00 - 4.80	12,328	2,258	97,000	18,415	11,000	6,390	80,000	3,840	231,231
		<u>548,215</u>	<u>73,861</u>	<u>450,000</u>	<u>127,735</u>	<u>64,729</u>	<u>35,264</u>	<u>365,000</u>	<u>53,423</u>	<u>1,718,227</u>
2012-2016	3.00 - 4.90	37,862	3,346	353,000	31,535	63,000	26,610	0	0	515,353
2017-2021	3.00	0	0	0	0	73,000	1,650	0	0	74,650
2022-2025	3.00	0	0	0	0	66,000	5,010	0	0	71,010
		<u>\$586,077</u>	<u>77,207</u>	<u>803,000</u>	<u>159,270</u>	<u>266,729</u>	<u>68,534</u>	<u>365,000</u>	<u>53,423</u>	<u>2,379,240</u>

Interest paid on General Obligation Bonds, leases and notes amounted to \$35,249, interest paid on Water Revenue Bonds amounted to \$35,105, interest paid on Sewer Revenue Bonds and Notes amounted to \$8,209 and interest paid on Electric Revenue Bonds amounted to \$20,030. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2006 are as follows:

<u>Type of Indebtedness</u>	<u>Amount</u>
General Obligation Bonds	\$ 57,210
Water Revenue Bonds	171,650
Electric Revenue Bonds	157,751
	<u>\$ 386,611</u>

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:

CITY OF PANORA
Notes to the Financial Statements – Continued

Year Ending <u>June 30,</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
2007	\$ 115,195	29,483	82,105
2008	113,045	17,350	84,148
2009	115,810	18,050	85,927
2010	118,270	17,720	82,403
2011	115,415	17,390	83,840
	<u>577,735</u>	<u>99,993</u>	<u>418,423</u>
2012-2016	384,535	89,610	0
2017-2021	0	74,650	0
2022-2025	0	71,010	0
	<u>\$ 962,270</u>	<u>335,263</u>	<u>418,423</u>

(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. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$24,499, \$19,863, and \$18,698, respectively, equal to the required contributions for each year.

(5) General Long-Term Debt Account Group

Changes in the general long-term debt account group during the year ended June 30, 2006 are summarized as follows:

	General Obligation <u>Bonds</u>	Promissory <u>Note</u>	<u>Loans</u>	<u>Total</u>
Balance at beginning of the year	\$ 560,000	46,780	117,427	724,207
New loans issued	0	0	0	0
Principal payments during the year	(110,000)	(11,695)	(16,435)	(138,130)
Balance at end of the year	<u>\$ 450,000</u>	<u>35,085</u>	<u>100,992</u>	<u>586,077</u>

CITY OF PANORA
Notes to the Financial Statements – Continued

(6) 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, 2006 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$57,386
Vacation	19,119
Personal leave	18,116
	\$94,621

The liability has been computed based on rates of pay as of June 30, 2006.

(7) 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.

(8) 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.

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

At June 30, 2006, 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, 2006, the City of Panora had a deficit fund balance of \$120,722 in the Capital Projects Fund as a result of disbursements exceeding receipts during the years ended June 30, 2006 and 2005. This deficit will be eliminated when permanent financing is received for the project.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2006, disbursements in the public works, culture and recreation, debt service and business type activities programs exceeded the amounts budgeted.

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, 2006

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 425,105	0	425,105
TIF revenues	102,883	0	102,883
Other city taxes	108,819	0	108,819
Licenses and permits	10,131	0	10,131
Use of money and property	39,248	10,341	49,589
Intergovernmental	215,729	0	215,729
Charges for services	61,506	1,614,170	1,675,676
Special assessments	19,356	0	19,356
Miscellaneous	22,557	12,132	34,689
Other financing sources	46,280	2,000	48,280
Total Receipts	<u>1,051,614</u>	<u>1,638,643</u>	<u>2,690,257</u>
Disbursements:			
Public safety	251,007	0	251,007
Public works	163,879	0	163,879
Culture and recreation	160,321	0	160,321
Community and economic development	104,469	0	104,469
General government	25,042	0	25,042
Debt service	151,223	0	151,223
Capital projects	38,580	0	38,580
Business type activities	0	1,685,069	1,685,069
Other financing uses	0	46,280	46,280
Total Disbursements	<u>894,521</u>	<u>1,731,349</u>	<u>2,625,870</u>
Excess (Deficit) of Receipts over (under) Disbursements	157,093	(92,706)	64,387
Balances at Beginning of Year	859,059	1,258,972	2,118,031
Balances at End of Year	<u>\$ 1,016,152</u>	<u>1,166,266</u>	<u>2,182,418</u>

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, 2006

<u>Budgeted Amounts</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
419,925	419,925	5,180
92,428	92,428	10,455
37,075	121,852	(13,033)
3,050	3,050	7,081
31,895	33,875	15,714
759,923	782,386	(566,657)
1,706,317	1,718,317	(42,641)
0	0	19,356
34,088	46,088	(11,399)
61,280	61,280	(13,000)
<u>3,145,981</u>	<u>3,279,201</u>	<u>(588,944)</u>
249,141	261,141	10,134
110,481	162,066	(1,813)
97,948	159,382	(939)
203,789	203,789	99,320
32,837	32,837	7,795
139,628	139,628	(11,595)
533,575	523,575	484,995
1,568,837	1,586,978	(98,091)
61,280	61,280	15,000
<u>2,997,516</u>	<u>3,130,676</u>	<u>504,806</u>
148,465	148,525	(84,138)
2,075,615	2,075,615	42,416
<u>2,224,080</u>	<u>2,224,140</u>	<u>(41,722)</u>

CITY OF PANORA
Notes to Required Supplementary Information
June 30, 2006

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

In accordance with the Code of Iowa, the 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 during the year 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, one budget amendment increased budgeted receipts by \$133,220 and budgeted disbursements by \$133,160. The budget amendment is reflected in the final budgeted figures.

During the year ended June 30, 2006, disbursements exceeded amounts budgeted in the public works, culture and recreation, debt service and business type activities functions.

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, 2006

	<u>Veterans</u> <u>Auditorium</u>	<u>D.A.R.E</u>	<u>Special</u> <u>Police</u> <u>Forfeiture</u>
Receipts:			
Property tax	\$ 18,235	0	0
TIF revenues	0	0	0
Intergovernmental	0	0	0
Charges for services	420	0	0
Miscellaneous	275	0	4,884
	<u>18,930</u>	<u>0</u>	<u>4,884</u>
Total Receipts			
Disbursements:			
Operating:			
Public safety	0	876	1,083
Culture and recreation	12,500	0	0
Community and economic development	0	0	0
Capital projects	0	0	0
	<u>12,500</u>	<u>876</u>	<u>1,083</u>
Total Disbursements			
Excess (Deficit) of Receipts over (under)			
Disbursements	6,430	(876)	3,801
Operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Cash Balances	6,430	(876)	3,801
Cash Balances at Beginning of Year	3,966	1,595	7,716
Cash Balances at End of Year	<u>\$ 10,396</u>	<u>719</u>	<u>11,517</u>
Cash Basis Fund Balances:			
Unreserved:			
Special revenue funds	\$ 10,396	719	11,517
Capital projects fund	0	0	0
Permanent fund	0	0	0
	<u>\$ 10,396</u>	<u>719</u>	<u>11,517</u>

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, 2006

<u>Revenue</u>					<u>Permanent</u>	
<u>Low/Mod</u>	<u>TIF - NW</u>	<u>TIF - NW</u>	<u>Economic</u>	<u>Capital</u>	<u>Trust and</u>	<u>Total</u>
<u>Housing</u>		<u>Terra Vista</u>	<u>Development</u>	<u>Projects</u>	<u>Agency</u>	
0	0	0	0	0	0	18,235
0	54,290	0	0	0	0	54,290
48,820	0	0	0	0	2,623	51,443
0	0	0	0	0	0	420
0	0	0	5,000	0	6,779	16,938
<u>48,820</u>	<u>54,290</u>	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>9,402</u>	<u>141,326</u>
0	0	0	0	0	0	1,959
0	0	0	0	0	8,468	20,968
74,057	19,374	2,938	5,000	0	0	101,369
0	0	0	0	38,580	0	38,580
<u>74,057</u>	<u>19,374</u>	<u>2,938</u>	<u>5,000</u>	<u>38,580</u>	<u>8,468</u>	<u>162,876</u>
(25,237)	34,916	(2,938)	0	(38,580)	934	(21,550)
<u>29,652</u>	<u>(29,652)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
4,415	5,264	(2,938)	0	(38,580)	934	(21,550)
22,880	26,986	0	67,129	(82,142)	15,092	63,222
<u>27,295</u>	<u>32,250</u>	<u>(2,938)</u>	<u>67,129</u>	<u>(120,722)</u>	<u>16,026</u>	<u>41,672</u>
27,295	32,250	(2,938)	67,129	0	0	146,368
0	0	0	0	(120,722)	0	(120,722)
0	0	0	0	0	16,026	16,026
<u>27,295</u>	<u>32,250</u>	<u>(2,938)</u>	<u>67,129</u>	<u>(120,722)</u>	<u>16,026</u>	<u>41,672</u>

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
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, 2006

<u>Balance</u> <u>June 30, 2005</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Interest</u> <u>Paid</u>
\$ 125,000	0	30,000	95,000	5,615
435,000	0	80,000	355,000	23,113
12,827	0	6,252	6,575	504
104,600	0	10,183	94,417	6,017
<u>677,427</u>	<u>0</u>	<u>126,435</u>	<u>550,992</u>	<u>35,249</u>
46,780	0	11,695	35,085	0
565,000	0	50,000	515,000	25,655
315,000	0	27,000	288,000	9,450
<u>880,000</u>	<u>0</u>	<u>77,000</u>	<u>803,000</u>	<u>35,105</u>
265,000	0	10,000	255,000	7,621
23,201	0	11,472	11,729	588
<u>288,201</u>	<u>0</u>	<u>21,472</u>	<u>266,729</u>	<u>8,209</u>
430,000	0	65,000	365,000	20,030
<u>1,598,201</u>	<u>0</u>	<u>163,472</u>	<u>1,434,729</u>	<u>63,344</u>
<u>\$ 2,322,408</u>	<u>0</u>	<u>301,602</u>	<u>2,020,806</u>	<u>98,593</u>

CITY OF PANORA
Bond and Note Maturities
June 30, 2006

Year Ending June 30,	<u>General Obligation Bonds and Notes</u>					
	Capital Loan Notes Issued 11-1-98		General Obligation Notes Issued 6-1-00		Police car lease Issued 7-27-04	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
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	--	--	--	--	--	--
		<u>\$ 95,000</u>		<u>355,000</u>		<u>6,575</u>

Year Ending June 30,	<u>Water Revenue Bonds</u>				
	<u>Issued 5-1-01</u>		<u>SRF</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
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	--	--	--	--	--
		<u>\$ 515,000</u>		<u>288,000</u>	<u>803,000</u>

CITY OF PANORA
 Bond and Note Maturities
 June 30, 2006

<u>Fire truck loan</u> <u>Issued 2-24-05</u>			<u>Promissory Note</u> <u>Guthrie County R.E.C.</u> <u>Issued 9-9-98</u>	
<u>Interest</u>			<u>Interest</u>	
<u>Rates</u>	<u>Amount</u>	<u>Total</u>	<u>Rates</u>	<u>Amount</u>
4.50	10,338	131,913	--	\$ 11,695
4.50	10,803	125,803	--	11,695
4.50	11,289	136,289	--	11,695
4.50	11,797	106,797	--	--
4.50	12,328	12,328	--	--
4.50	12,883	12,883	--	--
4.50	13,463	13,463	--	--
4.50	11,516	11,516	--	--
	<u>94,417</u>	<u>550,992</u>		<u>\$ 35,085</u>

<u>Sewer Revenue Bonds and Notes</u>					<u>Electric Revenue Bonds</u> <u>Issued 2-1-01</u>	
<u>Interest</u>	<u>SRF</u>	<u>Bank loan</u>		<u>Total</u>	<u>Interest</u>	<u>Amount</u>
<u>Rates</u>	<u>Amount</u>	<u>Interest</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>
3.00%	\$ 10,000	3.00	11,729	21,729	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	--	--
	<u>\$ 255,000</u>		<u>11,729</u>	<u>266,729</u>		<u>\$ 365,000</u>

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

	<u>Years Ended June 30</u>			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:				
Property tax	\$ 425,105	444,863	427,169	399,894
TIF revenues	102,883	88,637	77,625	65,783
Other city taxes	108,819	78,978	9,030	3,343
Licenses and permits	10,131	6,669	4,798	2,803
Use of money and property	39,248	30,878	17,908	38,369
Intergovernmental	215,729	212,240	159,865	165,769
Charges for services	61,506	38,231	39,742	23,245
Special assessments	19,356	20,174	20,992	19,961
Miscellaneous	22,557	29,560	12,880	52,299
Total Receipts	<u>\$ 1,005,334</u>	<u>950,230</u>	<u>770,009</u>	<u>771,466</u>
Disbursements:				
Public safety	\$ 251,007	242,114	259,610	198,135
Public works	163,879	136,035	139,149	128,168
Culture and recreation	160,321	99,237	100,852	92,896
Community and economic development	104,469	84,081	49,755	23,829
General government	25,042	31,790	28,306	98,943
Debt service	151,223	151,465	165,916	169,050
Capital projects	38,580	82,142	0	0
Total Disbursements	<u>\$ 894,521</u>	<u>826,864</u>	<u>743,588</u>	<u>711,021</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

I have audited the 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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated July 12, 2007. 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.

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 caused by an error or fraud 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 06-II-A.

Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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, 2006 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 06-III-A, 06-III-F and 06-III-I.

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
July 12, 2007

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2006

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, 2006

Part II: Findings Related to the Financial Statements

Instances of Non-compliance

No matters were noted.

Reportable Conditions

06-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, 2006

Part III: Other Findings Related to Statutory Reporting

06-III-A Official Depositories

A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2006. 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.

06-III-B Certified Budget

City expenditures during the year ended June 30, 2006 exceeded amounts budgeted therefore in the public works, culture and recreation, debt service and business type activities 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.

06-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.

06-III-D Travel Expense

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

06-III-E Business Transactions

During the year ended June 30, 2006, there were no business transactions between the City and City officials.

06-III-F Bond Coverage

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

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2006

06-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.

06-III-H Water, Sewer 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.

06-III-I Deposits and Investments

Except as noted in comment 06-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 and the City's investment policy.

06-III-J Deficit Fund Balance

At June 30, 2006, the City had deficit fund balances in the Water Construction Fund of \$33,023 and the Capital Projects Fund of \$120,722. The City should make the necessary transfers to eliminate these deficits.

Response: We are working to eliminate the deficits.

Conclusion: Response accepted.