

CITY OF PANORA

Panora, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2007

With Independent Auditor's Reports

CITY OF PANORA
Contents

	<u>Pages</u>
City Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-10
Statement of Activities and Net Assets – Cash Basis	11-12
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Governmental Funds	13-14
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds	15-16
Notes to the Financial Statements	17-23
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Cash Balances – Budget and Actual (Cash Basis) All Governmental Funds and Proprietary Funds	24-25
Notes to Required Supplementary Information	26
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	27-28
Schedule of Long-Term Debt and Interest	29-30
Bond and Note Maturities	31-32
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	33
Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	34-35
Schedule of Findings	36-39

CITY OF PANORA
City Officials
June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</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, 2007, 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 opinions 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 opinions.

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, 2007 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 June 4, 2008 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 24 through 25 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, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. Other supplementary information included on pages 27 through 33 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
June 4, 2008

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 13.5%, or \$135,331, from fiscal 2006 to fiscal 2007. Property tax revenues increased \$39,294, while tax increment revenues increased \$13,523. Other city taxes decreased by \$4,429. These other city taxes include the local option sales tax.
- Disbursements increased 13.9%, or \$124,311 in fiscal 2007 from fiscal 2006. Public safety, community and economic development, general government, and capital projects disbursements increased \$55,264, \$41,818, \$12,866 and \$89,611, respectively. These increases were partially offset by a decrease in public works and culture and recreation of \$34,017 and \$40,710.
- The City's total cash basis net assets decreased 12.2%, or \$267,010, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased \$238,479 and the assets of the business type activities decreased by \$28,531.

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 decreased \$238,479 from a year ago, from \$1,016,152 to \$777,673. 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>2007</u>	<u>2006</u>
Receipts:		
Property tax	\$ 464,399	425,105
TIF revenues	116,406	102,883
Other city taxes	104,390	108,819
Licenses and permits	6,736	10,131
Use of money and property	37,654	39,248
Intergovernmental	292,020	215,729
Charges for services	79,111	61,506
Special assessments	19,780	19,356
Miscellaneous	20,169	22,557
Total Receipts	<u>1,140,665</u>	<u>1,005,334</u>
Disbursements:		
Operating:		
Public safety	283,657	251,007
Public works	97,862	163,879
Culture and recreation	119,611	160,321
Community and economic development	146,287	104,469
General government	37,908	25,042
Capital outlay:		
Public safety	22,614	0
Public works	32,000	0
Debt service	150,702	151,223
Capital projects	128,191	38,580
Total Disbursements	<u>1,018,832</u>	<u>894,521</u>
Excess of Receipts over Disbursements	121,833	110,813
Other Financing Sources - Transfers	<u>(360,312)</u>	<u>46,280</u>
Increase (Decrease) in Cash Basis Net Assets	(238,479)	157,093
Cash Basis Net Assets at Beginning of Year	1,016,152	859,059
Cash Basis Net Assets at End of Year	<u>\$ 777,673</u>	<u>1,016,152</u>

The City's total receipts for governmental activities increased by 13.5%, or \$135,331. The total cost of all programs and services increased by \$124,311, or 13.9%.

The cost of all governmental activities this year was \$1,018,832 compared to \$894,521 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 \$630,533 because some of the cost was paid by those who directly benefited from the programs (\$92,591) or by other governments and organizations that subsidized certain programs with grants and contributions (\$295,708).

Change in Cash Basis Net Assets of Business Type Activities

	Years Ended June 30,	
	<u>2007</u>	<u>2006</u>
Operating Receipts:		
Charges for service:		
Water	\$ 372,973	349,158
Sewer	218,736	225,776
Electric	1,118,541	973,573
Garbage	49,079	47,429
Landfill	24,614	24,399
Storm sewer	75,395	5,967
	<hr/>	<hr/>
Total Operating Receipts	1,859,338	1,626,302
Operating Disbursements:		
Business type activities:		
Water	224,109	214,089
Sewer	175,294	154,739
Electric	993,371	920,024
Garbage	43,038	39,370
Landfill	23,980	23,500
Storm sewer	24,208	19,329
Internal service	16,674	0
	<hr/>	<hr/>
Total Operating Disbursements	1,500,674	1,371,051
Excess of Operating Receipts over Operating Disbursements	<hr/>	<hr/>
	358,664	255,251
Capital Outlay:		
Water	0	57,200
Sewer	0	27,136
Electric	0	12,698
Storm Water	824,287	0
	<hr/>	<hr/>
Total Capital Outlay	824,287	97,034
Total Non-Operating Receipts (Disbursements)	<hr/>	<hr/>
	437,092	(250,923)
Net Change in Cash Balances	(28,531)	(92,706)
Cash Basis Net Assets at Beginning of Year	1,166,266	1,258,972
Cash Basis Net Assets at End of Year	<hr/> <u>\$ 1,137,735</u>	<hr/> <u>1,166,266</u>

Total business type activities receipts for the fiscal year were \$2,520,317 compared to \$1,638,643 last year. This significant increase was due primarily to the receipt of stormwater dues, higher electric rates, proceeds of long-term debt and transfers from governmental funds in fiscal 2007. Total disbursements and transfers for the fiscal year increased by 47% to a total of \$2,548,848. This significant increase was largely due to an increase in capital outlays from \$97,034 to \$824,287.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Panora completed the year, its governmental funds reported a combined fund balance of \$777,673, a decrease of \$238,479 from last year's total of \$1,016,152. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- Much of the decrease was due to the finance of capital improvements as well as financing library operations, economic development activity, and the price to do business. This is despite the fact that TIF collections increased \$13,523 and charges for services increased \$17,605. Local option sales tax, though decreased by \$4,429
- The General Fund cash balance increased \$35,822 from the prior year to \$428,739. The reason the General Fund increased is the increase in revenue from charges for services, intergovernmental, licenses and permits, and use of money.
- The Road Use Tax Fund cash balance decreased by \$20,227 to \$177,973 during the fiscal year. The City intends to continue to use this money to upgrade the condition of City streets.
- The Local Option Sales Tax Fund decreased from \$133,004 to \$41,926. The major disbursement from this fund was the payment to the library.
- The TIF-NE Fund decreased from \$145,897 to \$23,742. Funds were disbursed in this fund for improvements to Rosehill Business Park and stormwater improvements on the Highway 44 Project.
- The TIF-Low/Mod Housing Fund increased from \$27,295 to \$77,921. The City intends to use part of these funds to help reimburse those who qualify for refunds for sidewalk assessments. In addition, funds will be used for improvement of low/mod properties.
- The Debt Service Fund increased by \$57,855 to \$115,065. The City intends to continue increasing this fund in anticipation of future bond issues and possible early debt retirement.
- The Capital Projects Fund decreased from \$(120,722) to \$(189,935) due to financing of the Highway 44 project, P28 improvements and the Downtown Streetscaping project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$30,839 to \$329,915. We are anticipating spending this increase and more of the cash on hand for future planned improvements, particularly new water lines on P-28, Highway 4 and Highway 44.
- The Sewer Fund cash balance increased by \$4,992 to \$281,038. 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 increased by \$54,090 to \$641,768 due to increasing electric rates.
- The Garbage Fund cash balance increased by \$5,456 to \$46,278 and the Landfill cash balance increased by \$632 to \$29,229. 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 29, 2007 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, 2007, the City had \$1,991,502 in bonds and other long-term debt, compared to \$2,020,806 last year, as shown below.

	Outstanding Debt at Year End	
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
General obligation bonds	\$ 417,079	550,992
Promissory note	23,390	35,085
Revenue bonds	1,551,033	1,434,729
	<u>\$ 1,991,502</u>	<u>2,020,806</u>

Revenue debt increased as a result of borrowing for Storm Water improvements due to the implementation of a new Storm Water Fee. 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 \$417,079 was significantly below its constitutional debt limit of \$2,266,383.

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 2008 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 3.4% is below the State's unemployment rate of 3.8% and the National rate of 4.7%.

Inflation in the State during fiscal year 2007 was similar to the national level. The State's CPI increase was 2.4% and the National CPI increase was 2.7% for the fiscal year 2007.

While property taxes are important to the City, they constitute approximately 15.9% 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 nearly the same as last 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 Activities and Net Assets - Cash Basis
As of and For the Year Ended June 30, 2007

	<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	\$ 306,271	82,374	22,875	0
Public works	129,862	0	97,930	0
Culture and recreation	119,611	9,307	24,422	0
Community and economic development	146,287	205	150,383	0
General government	37,908	705	0	0
Debt service	150,702	0	98	0
Capital projects	128,191	0	0	0
Total Governmental Activities	1,018,832	92,591	295,708	0
Business type activities:				
Water	340,424	372,973	0	0
Sewer	193,581	218,736	0	0
Electric	1,075,876	1,118,541	10,667	0
Garbage	43,038	49,079	0	0
Landfill	23,980	24,614	0	0
Storm water	855,275	71,895	0	3,500
Internal service	16,674	0	0	0
Total Business Type Activities	2,548,848	1,855,838	10,667	3,500
Total	\$ 3,567,680	1,948,429	306,375	3,500
Component Unit:				
Panora Public Library Foundation:				
Culture and recreation	\$ 80,963	0	0	77,616

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, 2007

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
(201,022)	0	(201,022)	
(31,932)	0	(31,932)	
(85,882)	0	(85,882)	
4,301	0	4,301	
(37,203)	0	(37,203)	
(150,604)	0	(150,604)	
(128,191)	0	(128,191)	
(630,533)	0	(630,533)	
0	32,549	32,549	
0	25,155	25,155	
0	53,332	53,332	
0	6,041	6,041	
0	634	634	
0	(779,880)	(779,880)	
0	(16,674)	(16,674)	
0	(678,843)	(678,843)	
(630,533)	(678,843)	(1,309,376)	
(3,347)	0	(3,347)	
	<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
(630,533)	(678,843)	(1,309,376)	(3,347)
308,138	0	308,138	0
116,406	0	116,406	0
171,536	0	171,536	0
103,970	0	103,970	0
37,654	0	37,654	0
0	290,000	290,000	0
14,662	0	14,662	0
(360,312)	360,312	0	0
392,054	650,312	1,042,366	0
(238,479)	(28,531)	(267,010)	(3,347)
1,016,152	1,166,266	2,182,418	4,920
\$ 777,673	1,137,735	1,915,408	1,573
\$ 177,973	0	177,973	0
129,409	0	129,409	0
115,065	162,048	277,113	0
(73,513)	0	(73,513)	1,573
428,739	975,687	1,404,426	0
\$ 777,673	1,137,735	1,915,408	1,573

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2007

	<u>General</u>	<u>Road Use Tax</u>	<u>Special Local Option Sales Tax</u>	<u>Revenue TIF - NE</u>
Receipts:				
Property tax	\$ 216,457	0	0	0
TIF revenues	0	0	0	64,540
Other city taxes	0	0	103,970	0
Licenses and permits	6,736	0	0	0
Use of money and property	37,428	0	0	0
Intergovernmental	41,627	97,930	0	0
Charges for services	77,923	0	0	0
Special assessments	0	0	0	0
Miscellaneous	10,105	0	0	0
 Total Receipts	<u>390,276</u>	<u>97,930</u>	<u>103,970</u>	<u>64,540</u>
Disbursements:				
Operating:				
Public safety	230,163	0	0	0
Public works	1	86,157	0	0
Culture and recreation	72,802	0	14,092	0
Community and economic development	515	0	2,850	0
General government	37,154	0	0	0
Capital outlay:				
Public safety	0	0	0	0
Public works	0	32,000	0	0
Debt service	0	0	0	11,695
Capital projects	0	0	0	0
 Total Disbursements	<u>340,635</u>	<u>118,157</u>	<u>16,942</u>	<u>11,695</u>
Excess (Deficit) of Receipts over (under) Disbursements	49,641	(20,227)	87,028	52,845
 Other Financing Sources/(Uses) - Transfers	<u>(13,819)</u>	<u>0</u>	<u>(178,106)</u>	<u>(175,000)</u>
 Net Change in Cash Balances	35,822	(20,227)	(91,078)	(122,155)
 Cash Balances at Beginning of Year	392,917	198,200	133,004	145,897
 Cash Balances at End of Year	<u>\$ 428,739</u>	<u>177,973</u>	<u>41,926</u>	<u>23,742</u>
Cash Basis Fund Balances:				
Reserved:				
Debt service	\$ 0	0	0	0
Unreserved:				
General fund	428,739	0	0	0
Special revenue funds	0	177,973	41,926	23,742
Capital projects fund	0	0	0	0
Permanent fund	0	0	0	0
 Total Cash Basis Fund Balances	<u>\$ 428,739</u>	<u>177,973</u>	<u>41,926</u>	<u>23,742</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, 2007

TIF - Low/Mod Housing	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
0	151,238	0	96,704	464,399
0	0	0	51,866	116,406
0	420	0	0	104,390
0	0	0	0	6,736
59	98	0	69	37,654
150,383	0	0	2,080	292,020
0	0	0	1,188	79,111
0	19,780	0	0	19,780
0	0	100	9,964	20,169
<u>150,442</u>	<u>171,536</u>	<u>100</u>	<u>161,871</u>	<u>1,140,665</u>
0	0	0	53,494	283,657
0	0	0	11,704	97,862
0	0	0	32,717	119,611
119,949	0	0	22,973	146,287
0	0	0	754	37,908
0	0	0	22,614	22,614
0	0	0	0	32,000
0	139,007	0	0	150,702
0	0	128,191	0	128,191
<u>119,949</u>	<u>139,007</u>	<u>128,191</u>	<u>144,256</u>	<u>1,018,832</u>
30,493	32,529	(128,091)	17,615	121,833
<u>20,133</u>	<u>25,326</u>	<u>58,878</u>	<u>(97,724)</u>	<u>(360,312)</u>
50,626	57,855	(69,213)	(80,109)	(238,479)
27,295	57,210	(120,722)	182,351	1,016,152
<u>77,921</u>	<u>115,065</u>	<u>(189,935)</u>	<u>102,242</u>	<u>777,673</u>
0	115,065	0	0	115,065
0	0	0	0	428,739
77,921	0	0	86,694	408,256
0	0	(189,935)	0	(189,935)
0	0	0	15,548	15,548
<u>77,921</u>	<u>115,065</u>	<u>(189,935)</u>	<u>102,242</u>	<u>777,673</u>

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balaces - Proprietary Funds
As of and For the Year Ended June 30, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Operating Receipts:			
Charges for services	\$ 369,923	217,395	1,097,316
Miscellaneous	3,050	1,341	21,225
Total Operating Receipts	<u>372,973</u>	<u>218,736</u>	<u>1,118,541</u>
Disbursements:			
Operating:			
Business type activities	224,109	175,294	993,371
Capital outlay	0	0	0
Total Operating Disbursements	<u>224,109</u>	<u>175,294</u>	<u>993,371</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>148,864</u>	<u>43,442</u>	<u>125,170</u>
Non-Operating Receipts (Disbursements)			
Use of money and property - interest	0	0	10,667
Proceeds of long-term debt	0	0	0
Transfers	(1,710)	(20,163)	758
Debt service	(116,315)	(18,287)	(82,505)
Total Non-Operating Receipts (Disbursements)	<u>(118,025)</u>	<u>(38,450)</u>	<u>(71,080)</u>
Net Change in Cash Balances	30,839	4,992	54,090
Cash Balances at Beginning of Year	299,076	276,046	587,678
Cash Balances at End of Year	<u>\$ 329,915</u>	<u>281,038</u>	<u>641,768</u>
Cash Basis Fund Balances:			
Unrestricted:			
Reserved for debt service	\$ 75,000	36,750	50,298
Unreserved	254,915	244,288	591,470
Total Cash Basis Fund Balances	<u>\$ 329,915</u>	<u>281,038</u>	<u>641,768</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, 2007

Enterprise Funds

<u>Garbage</u>	<u>Landfill</u>	<u>Storm Water</u>	<u>Construction</u>	<u>Internal Service</u>	<u>Total</u>
49,079	24,614	71,895	0	0	1,830,222
0	0	3,500	0	0	29,116
<u>49,079</u>	<u>24,614</u>	<u>75,395</u>	<u>0</u>	<u>0</u>	<u>1,859,338</u>
43,038	23,980	24,208	0	16,674	1,500,674
0	0	824,287	0	0	824,287
<u>43,038</u>	<u>23,980</u>	<u>848,495</u>	<u>0</u>	<u>16,674</u>	<u>2,324,961</u>
<u>6,041</u>	<u>634</u>	<u>(773,100)</u>	<u>0</u>	<u>(16,674)</u>	<u>(465,623)</u>
0	0	0	0	0	10,667
0	0	290,000	0	0	290,000
(585)	(2)	365,177	0	16,837	360,312
0	0	(6,780)	0	0	(223,887)
<u>(585)</u>	<u>(2)</u>	<u>648,397</u>	<u>0</u>	<u>16,837</u>	<u>437,092</u>
5,456	632	(124,703)	0	163	(28,531)
40,822	28,597	10,661	(76,614)	0	1,166,266
<u>46,278</u>	<u>29,229</u>	<u>(114,042)</u>	<u>(76,614)</u>	<u>163</u>	<u>1,137,735</u>
0	0	0	0	0	162,048
46,278	29,229	(114,042)	(76,614)	163	975,687
<u>46,278</u>	<u>29,229</u>	<u>(114,042)</u>	<u>(76,614)</u>	<u>163</u>	<u>1,137,735</u>

CITY OF PANORA
Notes to the Financial Statements
June 30, 2007

(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 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 all debt associated with the library building has been paid, 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 or 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

CITY OF PANORA

Notes to the Financial Statements – Continued

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 improvements 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 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.

The TIF – Low/Mod Housing Fund is used to account for collection of TIF revenues used for the maintenance of low and moderate income housing.

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.

Capital Projects Fund – The Capital Projects Fund is used to account for all resources used for the acquisition or construction of capital facilities.

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 record 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, 2007, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.

(2) Pooled Deposits and Investments

The City's deposits at June 30, 2007 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 improvements 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, 2007 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		Storm Water Revenue Bonds		Total
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2008	0 - 5.30%	\$137,588	21,104	84,000	29,045	10,000	7,350	70,000	14,148	13,832	13,288	400,355
2009	0 - 5.35	148,078	14,758	90,000	25,810	11,000	7,050	75,000	10,927	14,504	12,616	409,743
2010	3.00 - 5.40	106,896	7,821	96,000	22,270	11,000	6,720	75,000	7,403	15,208	11,912	360,230
2011	3.00 - 4.80	12,431	2,156	97,000	18,415	11,000	6,390	80,000	3,840	15,946	11,174	258,352
2012	3.00 - 4.75	12,990	1,596	103,000	14,465	12,000	6,060	0	0	16,720	10,400	177,231
		<u>417,983</u>	<u>47,435</u>	<u>470,000</u>	<u>110,005</u>	<u>55,000</u>	<u>33,570</u>	<u>300,000</u>	<u>36,318</u>	<u>76,210</u>	<u>59,390</u>	<u>1,605,911</u>
2013-2017	3.00 - 4.90	22,486	1,413	250,000	17,070	65,000	24,720	0	0	96,593	39,007	516,289
2018-2022	3.00	0	0	0	0	75,000	14,370	0	0	113,230	13,225	215,825
2023-2025	3.00	0	0	0	0	50,000	3,030	0	0	0	0	53,030
		<u>\$440,469</u>	<u>48,848</u>	<u>720,000</u>	<u>127,075</u>	<u>245,000</u>	<u>75,690</u>	<u>300,000</u>	<u>36,318</u>	<u>286,033</u>	<u>111,622</u>	<u>2,391,055</u>

Interest paid on general Obligation Bonds, leases and notes amounted to \$26,651, interest paid on Water Revenue Bonds amounted to \$32,195, interest paid on Sewer Revenue Bonds and Notes amounted to \$7,926, interest paid on Electric Revenue Bonds amounted to \$17,105 and interest paid on Storm Water Revenue Bonds amounted to \$2,813. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2007 are as follows:

<u>Type of Indebtedness</u>	<u>Amount</u>
General Obligation Bonds	\$ 115,065
Water Revenue Bonds	75,000
Sewer Revenue Bonds	36,750
Electric Revenue Bonds	50,298
	<u>\$ 277,113</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 from the Sewer Revenue Fund 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 from the Electric Revenue Fund to the Electric Sinking Fund sufficient to cover the annual principal and interest payments on the Electric Revenue Bonds. The Storm Sewer Revenue Bonds provide for annual transfers from the Storm Water Revenue Fund to the Storm Water Sinking Fund sufficient to cover the annual principal and interest payments on the Storm Water Revenue Bonds. Minimum annual sinking fund requirements are as follows:

CITY OF PANORA
Notes to the Financial Statements - Continued

Year Ending June 30,	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>
2008	113,045	17,350	84,148	27,120
2009	115,810	18,050	85,927	27,120
2010	118,270	17,720	82,403	27,120
2011	115,415	17,390	83,840	27,120
2012	117,465	18,060	0	27,120
	<u>580,005</u>	<u>88,570</u>	<u>336,318</u>	<u>135,600</u>
2012-2016	267,070	89,720	0	135,600
2017-2021	0	89,370	0	126,455
2022-2025	0	53,030	0	0
	<u>\$ 847,075</u>	<u>320,690</u>	<u>336,318</u>	<u>397,655</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 3.7% 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 6.08% and 9.12%, respectively. For the years ended June 30, 2006 and 2005, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$29,903, \$24,499, and \$19,863, 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 for the year ended June 30, 2007 are as follows:

	General Obligation			Promissory <u>Note</u>	<u>Loans</u>	<u>Total</u>
	<u>Bonds</u>					
Balance at beginning of the year	\$ 450,000		35,085	100,992	586,077	
New loans issued	0		0	0	0	
Principal payments during the year	(115,000)		(11,695)	(18,913)	(145,608)	
Balance at end of the year	<u>\$ 335,000</u>		<u>23,390</u>	<u>82,079</u>	<u>440,469</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, 2007 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$ 68,912
Vacation	20,401
Personal leave	29,084
	<u>\$118,397</u>

The liability has been computed based on rates of pay as of June 30, 2007.

(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) Commitments

At June 30, 2007, the City of Panora had commitments on open construction contracts totaling \$47,624.

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

At June 30, 2007, the City of Panora had a deficit fund balance in the Capital Projects Fund of \$189,935 as a result of disbursements exceeding receipts during the years ended June 30, 2007, 2006 and 2005. The deficit will be eliminated when permanent financing is received for the projects. At June 30, 2007, the City had a deficit balance in the Police Forfeiture Fund of \$15,774 as a result of disbursements exceeding receipts during the year ended June 30, 2007. This deficit will be eliminated through future police forfeiture collections. At June 30, 2007, the City had a deficit balance in the Water Construction Fund of \$76,614 as a result of disbursements exceeding receipts during the years ended June 30, 2006 and 2003. This deficit will be eliminated by making transfers from the Water Reserve Fund.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2007, disbursements in the public safety and business type activities programs exceeded the amount budgeted.

CITY OF PANORA
Notes to the Financial Statements – Continued

(12) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
TIF - Low/Mod Housing	TIF - NW	<u>\$ 20,133</u>
Debt Service	Local Option Sales Tax	15,000
	TIF - NW	<u>10,326</u>
		<u>25,326</u>
Capital Projects	Local Option Sales Tax	39,768
	Water Revenue	150
	Sewer Revenue	<u>18,960</u>
		<u>58,878</u>
Electric	General	<u>7,875</u>
Storm Water	Economic Development	67,129
	Local Option Sales Tax	123,338
	TIF - NE	<u>175,000</u>
		<u>365,467</u>
Internal Service	General Fund	5,944
	Veterans Auditorium	25
	Police Forfeiture	111
	Water Revenue	1,560
	Sewer Revenue	1,203
	Electric Revenue	7,117
	Garbage	585
	Landfill	2
	Storm Water	<u>290</u>
		<u>16,837</u>
		<u>\$ 494,516</u>

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

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, 2007

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 464,399	0	464,399
TIF revenues	116,406	0	116,406
Other city taxes	104,390	0	104,390
Licenses and permits	6,736	0	6,736
Use of money and property	37,654	10,667	48,321
Intergovernmental	292,020	0	292,020
Charges for services	79,111	1,830,222	1,909,333
Special assessments	19,780	0	19,780
Miscellaneous	20,169	29,116	49,285
Other financing sources	0	650,312	650,312
Total Receipts	<u>1,140,665</u>	<u>2,520,317</u>	<u>3,660,982</u>
Disbursements:			
Public safety	306,271	0	306,271
Public works	129,862	0	129,862
Culture and recreation	119,611	0	119,611
Community and economic development	146,287	0	146,287
General government	37,908	0	37,908
Debt service	150,702	0	150,702
Capital projects	128,191	824,287	952,478
Business type activities	0	1,724,561	1,724,561
Other financing uses	360,312	0	360,312
Total Disbursements	<u>1,379,144</u>	<u>2,548,848</u>	<u>3,927,992</u>
Excess (Deficit) of Receipts over (under) Disbursements	(238,479)	(28,531)	(267,010)
Balances at Beginning of Year	1,016,152	1,166,266	2,182,418
Balances at End of Year	<u>\$ 777,673</u>	<u>1,137,735</u>	<u>1,915,408</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, 2007

<u>Budgeted Amounts</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
450,231	450,231	14,168
137,461	137,461	(21,055)
93,763	95,763	8,627
3,512	3,512	3,224
36,320	40,320	8,001
623,211	623,211	(331,191)
1,854,458	1,875,458	33,875
18,536	18,536	1,244
5,960	29,960	19,325
1,963,594	1,963,594	(1,313,282)
<u>5,187,046</u>	<u>5,238,046</u>	<u>(1,577,064)</u>
285,119	305,119	(1,152)
159,651	159,651	29,789
174,533	174,533	54,922
311,732	311,732	165,445
32,469	38,469	561
255,030	255,030	104,328
1,357,563	1,474,563	522,085
1,642,513	1,670,513	(54,048)
710,907	710,907	350,595
<u>4,929,517</u>	<u>5,100,517</u>	<u>1,172,525</u>
257,529	137,529	(404,539)
2,078,060	2,078,060	104,358
<u>2,335,589</u>	<u>2,215,589</u>	<u>(300,181)</u>

CITY OF PANORA
Notes to Required Supplementary Information
June 30, 2007

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 \$51,000 and budgeted disbursements by \$171,000. The budget amendment is reflected in the final budgeted figures.

During the year ended June 30, 2007, disbursements exceeded amounts budgeted in the public safety 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, 2007

	<u>Veterans Auditorium</u>	<u>D.A.R.E</u>	<u>Police Forfeiture</u>
Receipts:			
Property tax	\$ 22,397	0	0
TIF revenues	0	0	0
Use of money and property	10	0	20
Intergovernmental	0	0	0
Charges for services	1,188	0	0
Miscellaneous	0	350	7,909
	<u>23,595</u>	<u>350</u>	<u>7,929</u>
Total Receipts			
Disbursements:			
Operating:			
Public safety	0	669	12,495
Public works	0	0	0
Culture and recreation	15,249	0	0
Community and economic development	0	0	0
General government	0	0	0
Capital outlay:			
Public safety	0	0	22,614
	<u>15,249</u>	<u>669</u>	<u>35,109</u>
Total Disbursements			
Excess (Deficit) of Receipts over (under) Disbursements	8,346	(319)	(27,180)
Operating transfers in (out)	<u>(25)</u>	<u>0</u>	<u>(111)</u>
Net Change in Cash Balances	8,321	(319)	(27,291)
Cash Balances at Beginning of Year	10,396	719	11,517
Cash Balances at End of Year	<u>\$ 18,717</u>	<u>400</u>	<u>(15,774)</u>
Cash Basis Fund Balances:			
Unreserved:			
Special revenue funds	\$ 18,717	400	(15,774)
Permanent fund	0	0	0
	<u>\$ 18,717</u>	<u>400</u>	<u>(15,774)</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, 2007

<u>Special Revenue</u>					<u>Permanent</u>	
<u>Employee</u>		<u>TIF - NW</u>		<u>Economic</u>	<u>Trust and</u>	
<u>Benefits</u>	<u>TIF - NW</u>	<u>Terra Vista</u>	<u>TIF - Central</u>	<u>Development</u>	<u>Agency</u>	<u>Total</u>
74,307	0	0	0	0	0	96,704
0	51,866	0	0	0	0	51,866
0	0	0	0	0	39	69
0	0	0	0	0	2,080	2,080
0	0	0	0	0	0	1,188
0	0	0	0	0	1,705	9,964
<u>74,307</u>	<u>51,866</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,824</u>	<u>161,871</u>
40,330	0	0	0	0	0	53,494
11,704	0	0	0	0	0	11,704
13,166	0	0	0	0	4,302	32,717
0	20,641	200	2,132	0	0	22,973
754	0	0	0	0	0	754
0	0	0	0	0	0	22,614
<u>65,954</u>	<u>20,641</u>	<u>200</u>	<u>2,132</u>	<u>0</u>	<u>4,302</u>	<u>144,256</u>
8,353	31,225	(200)	(2,132)	0	(478)	17,615
<u>0</u>	<u>(30,459)</u>	<u>0</u>	<u>0</u>	<u>(67,129)</u>	<u>0</u>	<u>(97,724)</u>
8,353	766	(200)	(2,132)	(67,129)	(478)	(80,109)
47,252	32,250	(2,938)	0	67,129	16,026	182,351
<u>55,605</u>	<u>33,016</u>	<u>(3,138)</u>	<u>(2,132)</u>	<u>0</u>	<u>15,548</u>	<u>102,242</u>
55,605	33,016	(3,138)	(2,132)	0	0	86,694
0	0	0	0	0	15,548	15,548
<u>55,605</u>	<u>33,016</u>	<u>(3,138)</u>	<u>(2,132)</u>	<u>0</u>	<u>15,548</u>	<u>102,242</u>

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2007

<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
Storm Water	April 3, 2007	4.75	290,000
Total Revenue Bonds			
Total			

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2007

<u>Balance</u> <u>June 30, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Interest</u> <u>Paid</u>
\$ 95,000	0	30,000	65,000	4,295
355,000	0	85,000	270,000	18,913
6,575	0	6,575	0	181
94,417	0	12,338	82,079	3,262
<u>550,992</u>	<u>0</u>	<u>133,913</u>	<u>417,079</u>	<u>26,651</u>
35,085	0	11,695	23,390	0
515,000	0	55,000	460,000	23,555
288,000	0	28,000	260,000	8,640
<u>803,000</u>	<u>0</u>	<u>83,000</u>	<u>720,000</u>	<u>32,195</u>
255,000	0	10,000	245,000	7,650
11,729	0	11,729	0	276
<u>266,729</u>	<u>0</u>	<u>21,729</u>	<u>245,000</u>	<u>7,926</u>
365,000	0	65,000	300,000	17,105
0	290,000	3,967	286,033	2,813
<u>1,434,729</u>	<u>290,000</u>	<u>173,696</u>	<u>1,551,033</u>	<u>60,039</u>
<u>\$ 2,020,806</u>	<u>290,000</u>	<u>319,304</u>	<u>1,991,502</u>	<u>86,690</u>

CITY OF PANORA
Bond and Note Maturities
June 30, 2007

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		Fire truck loan Issued 2-24-05	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	4.50%	\$ 30,000	5.30	85,000	4.50	10,893
2009	4.60	35,000	5.35	90,000	4.50	11,383
2010	--	--	5.40	95,000	4.50	11,896
2011	--	--	--	--	4.50	12,431
2012	--	--	--	--	4.50	12,990
2013	--	--	--	--	4.50	13,575
2014	--	--	--	--	4.50	8,911
		<u>\$ 65,000</u>		<u>270,000</u>		<u>82,079</u>

Year Ending June 30,	<u>Water Revenue Bonds</u>				
	Issued 5-1-01		SRF		Total
Interest Rates	Amount	Interest Rates	Amount		
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>\$ 460,000</u>		<u>260,000</u>	<u>720,000</u>

CITY OF PANORA
 Bond and Note Maturities
 June 30, 2007

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

<u>Total</u>	<u>Interest Rates</u>	<u>Amount</u>
125,893	--	\$ 11,695
136,383	--	11,695
106,896	--	--
12,431	--	--
12,990	--	--
13,575	--	--
8,911	--	--
<u>417,079</u>		<u>\$ 23,390</u>

Sewer Revenue Bond
SRF

<u>Interest Rates</u>	<u>Amount</u>
3.00%	\$ 10,000
3.00	11,000
3.00	11,000
3.00	11,000
3.00	12,000
3.00	12,000
3.00	13,000
3.00	13,000
3.00	13,000
3.00	14,000
3.00	14,000
3.00	15,000
3.00	15,000
3.00	15,000
3.00	16,000
3.00	16,000
3.00	17,000
3.00	17,000
	<u>\$ 245,000</u>

Electric Revenue Bond
Issued 2-1-01

<u>Interest Rates</u>	<u>Amount</u>
4.60%	\$ 70,000
4.70	75,000
4.75	75,000
4.80	80,000
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
	<u>\$ 300,000</u>

Storm Water Revenue Note
Issued 4-3-07

<u>Interest Rates</u>	<u>Amount</u>
4.75%	\$ 13,832
4.75	14,504
4.75	15,208
4.75	15,946
4.75	16,720
4.75	17,532
4.75	18,383
4.75	19,275
4.75	20,211
4.75	21,192
4.75	22,221
4.75	23,300
4.75	24,431
4.75	25,617
4.75	17,661
--	--
--	--
--	--
	<u>\$ 286,033</u>

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

	<u>Years Ended June 30</u>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property tax	\$ 464,399	425,105	444,863	427,169
TIF revenues	116,406	102,883	88,637	77,625
Other city taxes	104,390	108,819	78,978	9,030
Licenses and permits	6,736	10,131	6,669	4,798
Use of money and property	37,654	39,248	30,878	17,908
Intergovernmental	292,020	215,729	212,240	159,865
Charges for services	79,111	61,506	38,231	39,742
Special assessments	19,780	19,356	20,174	20,992
Miscellaneous	20,169	22,557	29,560	12,880
Total Receipts	<u>\$ 1,140,665</u>	<u>1,005,334</u>	<u>950,230</u>	<u>770,009</u>
Disbursements:				
Public safety	\$ 306,271	251,007	242,114	259,610
Public works	129,862	163,879	136,035	139,149
Culture and recreation	119,611	160,321	99,237	100,852
Community and economic development	146,287	104,469	84,081	49,755
General government	37,908	25,042	31,790	28,306
Debt service	150,702	151,223	151,465	165,916
Capital projects	128,191	38,580	82,142	0
Total Disbursements	<u>\$ 1,018,832</u>	<u>894,521</u>	<u>826,864</u>	<u>743,588</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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated June 4, 2008. My report expressed unqualified opinions 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Panora's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the City of Panora's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies but none that I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Panora's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement in the City of Panora's financial statements that is more than inconsequential will not be prevented or detected by the City of Panora's internal control. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Panora's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe none of the items are material weaknesses. Prior year significant deficiencies have been resolved except for item 07-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, 2007 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 07-III-A, 07-III-B, 07-III-G and 07-III-J.

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
June 4, 2008

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2007

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, 2007

Part II: Findings Related to the Financial Statements

Instances of Non-compliance

No matters were noted.

Reportable Conditions

07-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, 2007

Part III: Other Findings Related to Statutory Reporting

07-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, 2007. 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.

07-III-B Certified Budget

City expenditures during the year ended June 30, 2007 exceeded amounts budgeted therefore in the public safety, 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.

07-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.

07-III-D Travel Expense

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

07-III-E Business Transactions

During the year ended June 30, 2007, there were no business transactions between the City and City officials.

07-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, 2007

07-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.

07-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.

07-III-I Deposits and Investments

Except as noted in comment 07-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.

07-III-J Deficit Fund Balance

At June 30, 2007, the City had deficit fund balances in the Water Construction Fund of \$76,614, the Police Forfeiture Fund of \$15,774 and the Capital Projects Fund of \$189,935. The City should make the necessary transfers to eliminate these deficits.

Response: We are working to eliminate the deficits.

Conclusion: Response accepted.

07-III-K Personal Use of City Credit Card

It was noted that, during the year, a city employee made personal purchases using the City's credit card. Although all charges, finance charges and late fees were subsequently repaid to the City, employees should never use public funds for personal purchases.

Response: The individual involved is no longer employed by the City and this type of incident will never happen again.

Conclusion: Response accepted.