

CITY OF PANORA

Panora, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2008

With Independent Auditor's Reports

CITY OF PANORA

City Officials
June 30, 2008

Prior to January 31, 2008

<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

*James Marwedel resigned October 19, 2007.

Subsequent to December 31, 2007

Steve Baker	Mayor	December 31, 2011
David Beidelman	Mayor Pro Tem	December 31, 2011
Mark Humphreys	Council Member	December 31, 2011
Pat Parker	Council Member	December 31, 2009
Curtis Thornberry	Council Member	December 31, 2009
Mark Vogel	Council Member	December 31, 2009
Lisa Grossman	Clerk/Administrator	Indefinite
Joyce Calmer	Treasurer	Indefinite
Jeffrey Bimp	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, 2008, 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, 2008 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 24, 2009 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, 2007 (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 24, 2009

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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 4.3%, or \$48,617, from fiscal 2007 to fiscal 2008. Property tax revenues increased \$11,641, while tax increment revenues increased \$14,152. Other city taxes decreased by \$28,388. These other city taxes include the local option sales tax.
- Disbursements increased 120%, or \$1,222,513 in fiscal 2008 from fiscal 2007. Public safety, public works, culture and recreation, general government, and capital projects disbursements increased \$66,115, \$59,045, \$66,457, \$33,525 and \$1,053,880, respectively. These increases were partially offset by a decrease in community and economic development of \$50,712.
- The City's total cash basis net assets decreased 8.7%, or \$167,391, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased \$221,248 while the assets of the business type activities increased by \$53,857.

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 \$221,248 from a year ago, from \$595,391 to \$374,143. 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>2008</u>	<u>2007</u>
Receipts:		
Property tax	\$ 476,040	464,399
TIF revenues	130,558	116,406
Other city taxes	76,002	104,390
Licenses and permits	3,178	6,736
Use of money and property	45,219	37,654
Intergovernmental	227,321	292,020
Charges for services	150,418	79,111
Special assessments	32,736	19,780
Miscellaneous	47,810	20,169
Total Receipts	1,189,282	1,140,665
Disbursements:		
Operating:		
Public safety	372,386	283,657
Public works	156,907	97,862
Culture and recreation	186,068	119,611
Community and economic development	95,575	146,287
General government	71,433	37,908
Capital outlay:		
Public safety	0	22,614
Public works	32,000	32,000
Debt service	144,905	150,702
Capital projects	1,182,071	128,191
Total Disbursements	2,241,345	1,018,832
Excess (Deficit) of Receipts over (under) Disbursements	(1,052,063)	121,833
Other Financing Sources		
Proceeds of debt	700,000	0
Transfers	130,815	(360,312)
Decrease in Cash Basis Net Assets	(221,248)	(238,479)
Cash Basis Net Assets at Beginning of Year	595,391	833,870
Cash Basis Net Assets at End of Year	\$ 374,143	595,391

The City's total receipts for governmental activities increased by 4.3%, or \$48,617. The total cost of all programs and services increased by \$1,222,513, or 120%.

The cost of all governmental activities this year was \$2,241,345 compared to \$1,018,832 last year due to the Highway 44 Road project. 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 \$1,804,839 because some of the cost was paid by those who directly benefited from the programs (\$164,044) or by other governments and organizations that subsidized certain programs with grants and contributions (\$272,462).

Change in Cash Basis Net Assets of Business Type Activities

	Years Ended June 30,	
	<u>2008</u>	<u>2007</u>
Operating Receipts:		
Charges for service:		
Water	\$ 421,922	372,973
Sewer	225,446	218,736
Electric	1,252,055	1,118,541
Garbage	48,967	49,079
Landfill	24,167	24,614
Storm sewer	68,500	75,395
Total Operating Receipts	2,041,057	1,859,338
Operating Disbursements:		
Business type activities:		
Water	279,928	224,109
Sewer	194,518	175,294
Electric	1,019,026	993,371
Garbage	41,188	43,038
Landfill	23,556	23,980
Storm sewer	43,056	24,208
Internal service	20,899	16,674
Total Operating Disbursements	1,622,171	1,500,674
Excess of Operating Receipts over Operating Disbursements	418,886	358,664
Capital Outlay:		
Storm Water	0	824,287
Total Capital Outlay	0	824,287
Total Non-Operating Receipts (Disbursements)	(365,029)	437,092
Net Change in Cash Balances	53,857	(28,531)
Cash Basis Net Assets at Beginning of Year	1,320,016	1,348,547
Cash Basis Net Assets at End of Year	\$ 1,373,873	1,320,016

Total business type activities receipts for the fiscal year were \$2,050,568 compared to \$2,520,317 last year. This significant decrease was due primarily to the decrease in proceeds of long-term debt and transfers from governmental funds offset by the receipt of storm water dues and higher electric rates in fiscal 2008. Total disbursements and transfers for the fiscal year decreased by 22% to a total of \$1,996,711.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Panora completed the year, its governmental funds reported a combined fund balance of \$374,143, a decrease of \$221,248 from last year's total of \$595,391. 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 \$14,152 and charges for services increased \$71,307. Local option sales tax, though decreased by \$28,388.
- The General Fund cash balance increased \$14,756 from the prior year to \$443,495. 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 \$68,560 to \$109,413 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 increased from \$41,926 to \$73,519. The major disbursement from this fund was the payment to the library. The increase was due to saving funds to transfer to the Highway 44 project.
- The TIF-NW Fund increased from \$33,016 to \$111,888. Funds were collected in this fund for final payments to developer Ed Clark as well as a payment to the Low/Mod Housing fund. In addition, funds are being collected for developer Randy Leib for Terra Vista Estates.
- The Debt Service Fund increased by \$55,191 to \$170,256. 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 \$(243,207) to \$(615,424) 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 \$21,679 to \$351,594. We are anticipating spending this increase and more of the cash on hand for future planned improvements, particularly new water lines on Highway 4 and plant upgrades.
- The Sewer Fund cash balance decreased by \$126,144 to \$184,836, due to new sewer lines on P-28 and Highway 44.
- The Electric Fund cash balance increased by \$151,771 to \$787,116 due to increasing electric rates and cost saving measures like reducing line loss.
- The Garbage Fund cash balance increased by \$7,779 to \$54,057 and the Landfill cash balance increased by \$611 to \$29,840. These amounts show that the City charges for these services are matching the costs paid to outside contractors.

- The Storm Water cash balance decreased by \$1,676 to a balance of \$10,022.

BUDGETARY HIGHLIGHTS

There were no budget amendments during the year due to the change in city administrators. Although some programs expended more than the amount originally budgeted, the City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$2,375,975 in bonds and other long-term debt, compared to \$1,991,502 last year, as shown below.

	Outstanding Debt at Year End	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Short-term debt	\$ 700,000	0
General obligation bonds	290,892	417,079
Promissory note	11,695	23,390
Revenue bonds	<u>1,373,388</u>	<u>1,551,033</u>
	<u>\$ 2,375,975</u>	<u>1,991,502</u>

Short-term debt increased by \$700,000 to assist in financing the Highway 44 and P-28 projects. 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 \$1,002,587 was significantly below its constitutional debt limit of \$2,447,210.

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 2009 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 4.1% is below the State's unemployment rate of 4.3% and the National rate of 5.7%.

Inflation in the State during fiscal year 2008 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 2008.

While property taxes are important to the City, they constitute approximately 15.2% of total program resources excluding other financing sources. TIF revenues comprised 4.0% of revenues. The largest revenue source, at over 68% 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 Lisa Grossman, City Administrator, 501 East Market Street, Panora, Iowa.

CITY OF PANORA
Statement of Activites and Net Assets - Cash Basis
As of and For the Year Ended June 30, 2008

	<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	\$ 372,386	150,465	49,880	0
Public works	188,907	0	104,591	0
Culture and recreation	186,068	9,565	20,289	0
Community and economic development	95,575	0	37,451	0
General government	71,433	4,014	0	0
Debt service	144,905	0	0	0
Capital projects	1,182,071	0	0	60,251
Total Governmental Activities	<u>2,241,345</u>	<u>164,044</u>	<u>212,211</u>	<u>60,251</u>
Business type activities:				
Water	394,023	421,922	0	0
Sewer	212,480	225,446	0	0
Electric	1,103,574	1,252,055	9,511	0
Garbage	41,188	48,967	0	0
Landfill	23,556	24,167	0	0
Storm water	70,176	68,500	0	0
Internal service	20,899	0	0	0
Total Business Type Activities	<u>1,865,896</u>	<u>2,041,057</u>	<u>9,511</u>	<u>0</u>
Total	<u>\$ 4,107,241</u>	<u>2,205,101</u>	<u>221,722</u>	<u>60,251</u>
Component Unit:				
Panora Public Library Foundation:				
Culture and recreation	<u>\$ 67,942</u>	<u>0</u>	<u>0</u>	<u>68,672</u>

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, 2008

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(172,041)	0	(172,041)
(84,316)	0	(84,316)
(156,214)	0	(156,214)
(58,124)	0	(58,124)
(67,419)	0	(67,419)
(144,905)	0	(144,905)
<u>(1,121,820)</u>	<u>0</u>	<u>(1,121,820)</u>
<u>(1,804,839)</u>	<u>0</u>	<u>(1,804,839)</u>
0	27,899	27,899
0	12,966	12,966
0	157,992	157,992
0	7,779	7,779
0	611	611
0	(1,676)	(1,676)
0	(20,899)	(20,899)
<u>0</u>	<u>184,672</u>	<u>184,672</u>
<u>(1,804,839)</u>	<u>184,672</u>	<u>(1,620,167)</u>
<u>730</u>	<u>0</u>	<u>730</u>

<u>Governmental Activities</u>	<u>Primary Government Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<u>(1,804,839)</u>	<u>184,672</u>	<u>(1,620,167)</u>	<u>730</u>
305,631	0	305,631	0
130,557	0	130,557	0
188,401	0	188,401	0
76,002	0	76,002	0
43,669	0	43,669	0
700,000	0	700,000	0
8,516	0	8,516	0
130,815	(130,815)	0	0
<u>1,583,591</u>	<u>(130,815)</u>	<u>1,452,776</u>	<u>0</u>
(221,248)	53,857	(167,391)	730
595,391	1,320,016	1,915,407	1,573
<u>\$ 374,143</u>	<u>1,373,873</u>	<u>1,748,016</u>	<u>2,303</u>
\$ 109,413	0	109,413	0
160,512	0	160,512	0
170,256	154,774	325,030	0
(509,533)	0	(509,533)	2,303
443,495	1,219,099	1,662,594	0
<u>\$ 374,143</u>	<u>1,373,873</u>	<u>1,748,016</u>	<u>2,303</u>

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2008

	<u>General</u>	<u>Special Revenue</u>		
		Road Use <u>Tax</u>	Local Option <u>Sales Tax</u>	<u>TIF - NW</u>
Receipts:				
Property tax	\$ 219,647	0	0	0
TIF revenues	0	0	0	78,872
Other city taxes	0	0	76,002	0
Licenses and permits	3,178	0	0	0
Use of money and property	43,669	0	0	0
Intergovernmental	62,737	100,665	0	0
Charges for services	148,789	0	0	0
Special assessments	0	0	0	0
Miscellaneous	12,409	3,926	0	0
Total Receipts	<u>490,429</u>	<u>104,591</u>	<u>76,002</u>	<u>78,872</u>
Disbursements:				
Operating:				
Public safety	321,546	0	0	0
Public works	2,387	141,151	0	0
Culture and recreation	83,795	0	23,459	0
Community and economic development	118	0	20,950	0
General government	65,753	0	0	0
Capital outlay:				
Public works	0	32,000	0	0
Debt service	0	0	0	0
Capital projects	0	0	0	0
Total Disbursements	<u>473,599</u>	<u>173,151</u>	<u>44,409</u>	<u>0</u>
Excess (Deficit) of Receipts over (under) Disbursements	16,830	(68,560)	31,593	78,872
Other Financing Sources:				
Proceeds of debt	0	0	0	0
Transfers	(2,074)	0	0	0
Total Other Financing Sources (Uses)	<u>(2,074)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Cash Balances	14,756	(68,560)	31,593	78,872
Cash Balances at Beginning of Year	428,739	177,973	41,926	33,016
Cash Balances at End of Year	<u>\$ 443,495</u>	<u>109,413</u>	<u>73,519</u>	<u>111,888</u>
Cash Basis Fund Balances:				
Reserved:				
Debt service	\$ 0	0	0	0
Unreserved:				
General fund	443,495	0	0	0
Special revenue funds	0	109,413	73,519	111,888
Capital projects fund	0	0	0	0
Permanent fund	0	0	0	0
Total Cash Basis Fund Balances	<u>\$ 443,495</u>	<u>109,413</u>	<u>73,519</u>	<u>111,888</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, 2008

Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
170,409	0	85,984	476,040
0	0	51,686	130,558
0	0	0	76,002
0	0	0	3,178
0	0	1,550	45,219
0	45,007	18,912	227,321
0	0	1,629	150,418
17,992	14,744	0	32,736
0	500	30,975	47,810
188,401	60,251	190,736	1,189,282
0	0	50,840	372,386
0	0	13,369	156,907
0	0	78,814	186,068
0	0	74,507	95,575
0	0	5,680	71,433
0	0	0	32,000
133,210	0	11,695	144,905
0	1,182,071	0	1,182,071
133,210	1,182,071	234,905	2,241,345
55,191	(1,121,820)	(44,169)	(1,052,063)
0	700,000	0	700,000
0	178,613	(45,724)	130,815
0	878,613	(45,724)	830,815
55,191	(243,207)	(89,893)	(221,248)
115,065	(372,217)	170,889	595,391
170,256	(615,424)	80,996	374,143
170,256	0	0	170,256
0	0	0	443,495
0	0	65,243	360,063
0	(615,424)	0	(615,424)
0	0	15,753	15,753
170,256	(615,424)	80,996	374,143

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balaces - Proprietary Funds
As of and For the Year Ended June 30, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Operating Receipts:			
Charges for services	\$ 403,017	224,879	1,245,155
Miscellaneous	18,905	567	6,900
Total Operating Receipts	<u>421,922</u>	<u>225,446</u>	<u>1,252,055</u>
Disbursements:			
Operating:			
Business type activities	279,928	194,518	1,019,026
Total Operating Disbursements	<u>279,928</u>	<u>194,518</u>	<u>1,019,026</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>141,994</u>	<u>30,928</u>	<u>233,029</u>
Non-Operating Receipts (Disbursements)			
Use of money and property - interest	0	0	9,511
Transfers	(6,220)	(139,110)	(6,221)
Debt service	(114,095)	(17,962)	(84,548)
Total Non-Operating Receipts (Disbursements)	<u>(120,315)</u>	<u>(157,072)</u>	<u>(81,258)</u>
Net Change in Cash Balances	21,679	(126,144)	151,771
Cash Balances at Beginning of Year	329,915	310,980	635,345
Cash Balances at End of Year	<u>\$ 351,594</u>	<u>184,836</u>	<u>787,116</u>
Cash Basis Fund Balances:			
Unrestricted:			
Reserved for debt service	\$ 75,000	36,750	43,024
Unreserved	276,594	148,086	744,092
Total Cash Basis Fund Balances	<u>\$ 351,594</u>	<u>184,836</u>	<u>787,116</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, 2008

Enterprise Funds

<u>Garbage</u>	<u>Landfill</u>	<u>Storm Water</u>	<u>Construction</u>	<u>Internal Service</u>	<u>Total</u>
48,967	24,167	68,500	0	0	2,014,685
0	0	0	0	0	26,372
<u>48,967</u>	<u>24,167</u>	<u>68,500</u>	<u>0</u>	<u>0</u>	<u>2,041,057</u>
41,188	23,556	43,056	0	20,899	1,622,171
<u>41,188</u>	<u>23,556</u>	<u>43,056</u>	<u>0</u>	<u>20,899</u>	<u>1,622,171</u>
<u>7,779</u>	<u>611</u>	<u>25,444</u>	<u>0</u>	<u>(20,899)</u>	<u>418,886</u>
0	0	0	0	0	9,511
0	0	0	0	20,736	(130,815)
0	0	(27,120)	0	0	(243,725)
<u>0</u>	<u>0</u>	<u>(27,120)</u>	<u>0</u>	<u>20,736</u>	<u>(365,029)</u>
7,779	611	(1,676)	0	(163)	53,857
46,278	29,229	11,698	(43,592)	163	1,320,016
<u>54,057</u>	<u>29,840</u>	<u>10,022</u>	<u>(43,592)</u>	<u>0</u>	<u>1,373,873</u>
0	0	0	0	0	154,774
54,057	29,840	10,022	(43,592)	0	1,219,099
<u>54,057</u>	<u>29,840</u>	<u>10,022</u>	<u>(43,592)</u>	<u>0</u>	<u>1,373,873</u>

CITY OF PANORA
Notes to the Financial Statements
June 30, 2008

(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 Northwest TIF District Fund is used to account for the collection of TIF revenues used for the development within the Northwest 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.

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, 2008, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities functions.

(2) Pooled Deposits and Investments

The City's deposits at June 30, 2008 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.

(3) Note Payable

The City has a note payable with Panora State Bank in the amount of \$700,000. The note carries an interest rate of 4.4% and matures June 1, 2009.

CITY OF PANORA
Notes to the Financial Statements – Continued

(4) Long-Term Debt

A summary of the City's June 30, 2008 general obligation, loan, promissory note, and revenue bond indebtedness is as follows:

Year Ending	Interest Rates	General Obligation										Total
		Bonds, Loan and Promissory Note		Water Revenue Bonds		Sewer Revenue Bond		Electric Revenue Bond		Storm Water Revenue Note		
June 30,	Rates	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	0 - 5.35%	\$148,092	14,745	90,000	25,810	11,000	7,050	75,000	10,927	14,495	12,625	409,744
2010	3.00 - 5.40	106,909	7,807	96,000	22,270	11,000	6,720	75,000	7,403	15,198	11,922	360,229
2011	3.00 - 4.80	12,445	2,142	97,000	18,415	11,000	6,390	80,000	3,840	15,936	11,184	258,352
2012	3.00 - 4.75	13,005	1,581	103,000	14,465	12,000	6,060	0	0	16,710	10,410	177,231
2013	3.00 - 4.80	13,591	996	104,000	10,185	12,000	5,700	0	0	17,521	9,599	173,592
		<u>294,042</u>	<u>27,271</u>	<u>490,000</u>	<u>91,145</u>	<u>57,000</u>	<u>31,920</u>	<u>230,000</u>	<u>22,170</u>	<u>79,860</u>	<u>55,740</u>	<u>1,379,148</u>
2014-2018	3.00 - 4.90	8,545	385	146,000	6,885	67,000	22,770	0	0	101,219	34,381	387,185
2019-2023	3.00	0	0	0	0	77,000	12,120	0	0	91,309	8,638	189,067
2024-2025	3.00	0	0	0	0	34,000	1,530	0	0	0	0	35,530
		<u>\$302,587</u>	<u>27,656</u>	<u>636,000</u>	<u>98,030</u>	<u>235,000</u>	<u>68,340</u>	<u>230,000</u>	<u>22,170</u>	<u>272,388</u>	<u>98,759</u>	<u>1,990,930</u>

Interest paid on general Obligation Bonds, loans and notes amounted to \$20,810, interest paid on Water Revenue Bonds amounted to \$29,045, interest paid on Sewer Revenue Bonds and Notes amounted to \$7,350, interest paid on Electric Revenue Bonds amounted to \$14,148 and interest paid on Storm Water Revenue Bonds amounted to \$13,475. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2008 are as follows:

<u>Type of Indebtedness</u>	<u>Amount</u>
General Obligation Bonds	\$ 170,256
Water Revenue Bonds	75,000
Sewer Revenue Bonds	36,750
Electric Revenue Bonds	43,024
	<u>\$ 325,030</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>
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
2013	114,185	17,700	0	27,120
	<u>581,145</u>	<u>88,920</u>	<u>252,170</u>	<u>135,600</u>
	152,885	89,770	0	135,600
2014-2018	0	89,120	0	99,947
2019-2023	0	35,530	0	0
2024-2025	<u>\$ 734,030</u>	<u>303,340</u>	<u>252,170</u>	<u>371,147</u>

(5) 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.

Most regular plan members are required to contribute 3.90% of their annual salary and the City is required to contribute 6.05% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$32,528, \$29,903, and \$24,499, respectively, equal to the required contributions for each year.

(6) General Long-Term Debt Account Group

Changes in the general long-term debt account group for the year ended June 30, 2008 are as follows:

	General Obligation <u>Bonds</u>	Promissory <u>Note</u>	<u>Loans</u>	<u>Total</u>
Balance at beginning of the year	\$ 335,000	23,390	82,079	440,469
New loans issued	0	0	0	0
Principal payments during the year	(115,000)	(11,695)	(11,187)	(137,882)
Balance at end of the year	<u>\$ 220,000</u>	<u>11,695</u>	<u>70,892</u>	<u>302,587</u>

CITY OF PANORA

Notes to the Financial Statements – Continued

(7) Compensated Absences

City employees accumulate vacation, sick leave and personal leave hours for subsequent use or vacation may be paid upon termination, retirement or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2008 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$ 68,862
Vacation	23,574
Personal leave	49,383
	<u>\$141,819</u>

The liability has been computed based on rates of pay as of June 30, 2008.

(8) Risk Management

The City of Panora is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Property Tax Calendar

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

(10) Commitments

At June 30, 2008, the City of Panora had a commitment on the purchase of a rescue unit of \$112,816.

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

At June 30, 2008, the City of Panora had a deficit fund balance in the Capital Projects Fund of \$615,424 as a result of disbursements exceeding receipts during the years ended June 30, 2008, 2007, 2006 and 2005. The deficit will be eliminated when permanent financing is received for the projects. At June 30, 2008, the City had a deficit fund balance in the Veterans Auditorium Fund of \$22,366 as a result of disbursements exceeding receipts during the year ended June 30, 2008. This deficit will be eliminated through future receipts in the fund. At June 30, 2008, the City had a deficit fund balance in the D.A.R.E. fund of \$56 as a result of disbursements exceeding receipts during the year ended June 30, 2008. This deficit will be eliminated through future D.A.R.E. donations. At June 30, 2008, the City had a deficit fund balance in the Police Forfeiture Fund of \$18,487 as a result of disbursements exceeding receipts during the years ended June 30, 2008 and 2007. This deficit will be eliminated through future police forfeiture collections. At June 30, 2008, the City had a deficit fund balance in the TIF – NW Terra Vista Fund of \$3,138 as a result of disbursements exceeding receipts during the year ended June 30, 2008. This deficit will be eliminated through future TIF collections. At June 30, 2008, the City had a deficit fund balance in the TIF – Central Fund of \$2,132 as a result of disbursements exceeding receipts during the year ended June 30, 2008. This deficit will be eliminated through future TIF collections. At June 30, 2008, the City had a deficit balance in the Water Construction Fund of \$43,592 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.

CITY OF PANORA

Notes to the Financial Statements – Continued

(12) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2008, disbursements in the public safety, culture and recreation, general government and business type activities programs exceeded the amount budgeted.

(13) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	TIF - NE	\$ 45,724
	Sewer Revenue	132,889
		<u>178,613</u>
Internal Service	General Fund	2,074
	Water Revenue	6,220
	Sewer Revenue	6,221
	Electric Revenue	6,221
		<u>20,736</u>
		<u>\$ 199,349</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, 2008

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 476,040	0	476,040
TIF revenues	130,558	0	130,558
Other city taxes	76,002	0	76,002
Licenses and permits	3,178	0	3,178
Use of money and property	45,219	9,511	54,730
Intergovernmental	227,321	0	227,321
Charges for services	150,418	2,041,057	2,191,475
Special assessments	32,736	0	32,736
Miscellaneous	47,810	0	47,810
Other financing sources	830,815	0	830,815
Total Receipts	<u>2,020,097</u>	<u>2,050,568</u>	<u>4,070,665</u>
Disbursements:			
Public safety	372,386	0	372,386
Public works	188,907	0	188,907
Culture and recreation	186,068	0	186,068
Community and economic development	95,575	0	95,575
General government	71,433	0	71,433
Debt service	144,905	0	144,905
Capital projects	1,182,071	0	1,182,071
Business type activities	0	1,865,896	1,865,896
Other financing uses	0	130,815	130,815
Total Disbursements	<u>2,241,345</u>	<u>1,996,711</u>	<u>4,238,056</u>
Excess (Deficit) of Receipts over (under) Disbursements	(221,248)	53,857	(167,391)
Balances at Beginning of Year	595,391	1,320,016	1,915,407
Balances at End of Year	<u>\$ 374,143</u>	<u>1,373,873</u>	<u>1,748,016</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, 2008

<u>Original Budget</u>	<u>Variance</u>
472,344	3,696
153,634	(23,076)
99,481	(23,479)
6,612	(3,434)
41,750	12,980
964,299	(736,978)
1,922,763	268,712
66,579	(33,843)
12,250	35,560
2,045,795	(1,214,980)
<u>5,785,507</u>	<u>(1,714,842)</u>
352,895	(19,491)
202,021	13,114
174,927	(11,141)
226,979	131,404
35,223	(36,210)
244,962	100,057
2,734,875	1,552,804
1,748,132	(117,764)
209,185	78,370
<u>5,929,199</u>	<u>1,691,143</u>
(143,692)	(23,699)
2,139,615	(224,208)
<u>1,995,923</u>	<u>(247,907)</u>

CITY OF PANORA
Notes to Required Supplementary Information
June 30, 2008

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 ended June 30, 2008, disbursements exceeded amounts budgeted in the public safety, culture and recreation, general government 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, 2008

	<u>Veterans Auditorium</u>	<u>D.A.R.E</u>	<u>Police Forfeiture</u>
Receipts:			
Property tax	\$ 20,285	0	0
TIF revenues	0	0	0
Other city taxes	0	0	0
Use of money and property	0	0	0
Intergovernmental	0	0	0
Charges for services	1,515	0	0
Miscellaneous	0	677	9,558
Total Receipts	<u>21,800</u>	<u>677</u>	<u>9,558</u>
Disbursements:			
Operating:			
Public safety	0	1,133	12,271
Public works	0	0	0
Culture and recreation	62,883	0	0
Community and economic development	0	0	0
General government	0	0	0
Debt service	0	0	0
Total Disbursements	<u>62,883</u>	<u>1,133</u>	<u>12,271</u>
Excess (Deficit) of Receipts over (under) Disbursements	(41,083)	(456)	(2,713)
Operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Cash Balances	(41,083)	(456)	(2,713)
Cash Balances at Beginning of Year	18,717	400	(15,774)
Cash Balances at End of Year	<u>\$ (22,366)</u>	<u>(56)</u>	<u>(18,487)</u>
Cash Basis Fund Balances:			
Unreserved:			
Special revenue funds	\$ (22,366)	(56)	(18,487)
Permanent fund	0	0	0
	<u>\$ (22,366)</u>	<u>(56)</u>	<u>(18,487)</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, 2008

Employee Benefits	Special Revenue		TIF - NW Terra Vista	TIF - Central	Economic Development	Permanent Trust and Agency	Total
	TIF - Low/Mod Housing	TIF - NE					
65,699	0	0	0	0	0	0	85,984
0	0	51,686	0	0	0	0	51,686
0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,550	1,550
0	16,711	0	0	0	0	2,201	18,912
0	0	0	0	0	0	114	1,629
0	0	0	0	0	20,740	0	30,975
<u>65,699</u>	<u>16,711</u>	<u>51,686</u>	<u>0</u>	<u>0</u>	<u>20,740</u>	<u>3,865</u>	<u>190,736</u>
37,436	0	0	0	0	0	0	50,840
13,369	0	0	0	0	0	0	13,369
12,271	0	0	0	0	0	3,660	78,814
0	58,747	0	0	0	15,760	0	74,507
5,680	0	0	0	0	0	0	5,680
0	0	11,695	0	0	0	0	11,695
<u>68,756</u>	<u>58,747</u>	<u>11,695</u>	<u>0</u>	<u>0</u>	<u>15,760</u>	<u>3,660</u>	<u>234,905</u>
(3,057)	(42,036)	39,991	0	0	4,980	205	(44,169)
<u>0</u>	<u>0</u>	<u>(45,724)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(45,724)</u>
(3,057)	(42,036)	(5,733)	0	0	4,980	205	(89,893)
55,605	77,921	23,742	(3,138)	(2,132)	0	15,548	170,889
<u>52,548</u>	<u>35,885</u>	<u>18,009</u>	<u>(3,138)</u>	<u>(2,132)</u>	<u>4,980</u>	<u>15,753</u>	<u>80,996</u>
52,548	35,885	18,009	(3,138)	(2,132)	4,980	0	65,243
0	0	0	0	0	0	15,753	15,753
<u>52,548</u>	<u>35,885</u>	<u>18,009</u>	<u>(3,138)</u>	<u>(2,132)</u>	<u>4,980</u>	<u>15,753</u>	<u>80,996</u>

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2008

<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
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
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, 2008

<u>Balance</u> <u>June 30, 2007</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Interest</u> <u>Paid</u>
\$ 65,000	0	30,000	35,000	2,960
270,000	0	85,000	185,000	14,450
82,079	0	11,187	70,892	3,400
<u>417,079</u>	<u>0</u>	<u>126,187</u>	<u>290,892</u>	<u>20,810</u>
23,390	0	11,695	11,695	0
460,000	0	55,000	405,000	21,245
260,000	0	29,000	231,000	7,800
<u>720,000</u>	<u>0</u>	<u>84,000</u>	<u>636,000</u>	<u>29,045</u>
245,000	0	10,000	235,000	7,350
300,000	0	70,000	230,000	14,148
286,033	0	13,645	272,388	13,475
<u>1,551,033</u>	<u>0</u>	<u>177,645</u>	<u>1,373,388</u>	<u>64,018</u>
<u>\$ 1,991,502</u>	<u>0</u>	<u>315,527</u>	<u>1,675,975</u>	<u>84,828</u>

CITY OF PANORA
Bond and Note Maturities
June 30, 2008

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>General Obligation Bonds and Notes</u>					
	<u>Capital Loan</u> <u>Notes</u> <u>Issued 11-1-98</u>		<u>General Obligation</u> <u>Notes</u> <u>Issued 6-1-00</u>		<u>Fire truck loan</u> <u>Issued 2-24-05</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2009	4.60%	\$ 35,000	5.35	90,000	4.50	11,397
2010	--	--	5.40	95,000	4.50	11,909
2011	--	--	--	--	4.50	12,445
2012	--	--	--	--	4.50	13,005
2013	--	--	--	--	4.50	13,591
2014	--	--	--	--	4.50	8,545
		<u>\$ 35,000</u>		<u>185,000</u>		<u>70,892</u>

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Water Revenue Bonds</u>				
	<u>Issued 5-1-01</u>		<u>SRF</u>		<u>Total</u>
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	
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>\$ 405,000</u>		<u>231,000</u>	<u>636,000</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>
136,397	--	\$ 11,695
106,909	--	--
12,445	--	--
13,005	--	--
13,591	--	--
8,545	--	--
<u>290,892</u>		<u>\$ 11,695</u>

Sewer Revenue Bond
SRF

<u>Interest Rates</u>	<u>Amount</u>
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	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>\$ 235,000</u>

Electric Revenue Bond
Issued 2-1-01

<u>Interest Rates</u>	<u>Amount</u>
4.70	\$ 75,000
4.75	75,000
4.80	80,000
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
	<u>\$ 230,000</u>

Storm Water Revenue Note
Issued 4-3-07

<u>Interest Rates</u>	<u>Amount</u>
4.75	\$ 14,495
4.75	15,198
4.75	15,936
4.75	16,710
4.75	17,521
4.75	18,371
4.75	19,263
4.75	20,199
4.75	21,179
4.75	22,207
4.75	23,285
4.75	24,416
4.75	25,601
4.75	18,007
--	--
--	--
--	--
	<u>\$ 272,388</u>

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

	Years Ended June 30			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:				
Property tax	\$ 476,040	464,399	425,105	444,863
TIF revenues	130,558	116,406	102,883	88,637
Other city taxes	76,002	104,390	108,819	78,978
Licenses and permits	3,178	6,736	10,131	6,669
Use of money and property	45,219	37,654	39,248	30,878
Intergovernmental	227,321	292,020	215,729	212,240
Charges for services	150,418	79,111	61,506	38,231
Special assessments	32,736	19,780	19,356	20,174
Miscellaneous	47,810	20,169	22,557	29,560
Total Receipts	<u>\$ 1,189,282</u>	<u>1,140,665</u>	<u>1,005,334</u>	<u>950,230</u>
Disbursements:				
Public safety	\$ 372,386	306,271	251,007	242,114
Public works	188,907	129,862	163,879	136,035
Culture and recreation	186,068	119,611	160,321	99,237
Community and economic development	95,575	146,287	104,469	84,081
General government	71,433	37,908	25,042	31,790
Debt service	144,905	150,702	151,223	151,465
Capital projects	1,182,071	128,191	38,580	82,142
Total Disbursements	<u>\$ 2,241,345</u>	<u>1,018,832</u>	<u>894,521</u>	<u>826,864</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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated June 24, 2009. 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 08-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, 2008 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 08-III-A, 08-III-F and 08-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
June 24, 2009

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2008

Part I: 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, 2008

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

No matters were noted.

Reportable Conditions

08-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, 2008

Part III: Other Findings Related to Statutory Reporting

08-III-A Certified Budget

City expenditures during the year ended June 30, 2008 exceeded amounts budgeted therefore in the public safety, culture and recreation, general government 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.

08-III-B 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.

08-III-C Travel Expense

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

08-III-D Business Transactions

During the year ended June 30, 2008, there were no business transactions between the City and City officials.

08-III-E Bond Coverage

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

08-III-F 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 within fifteen days of the meeting and include all required items.

Conclusion: Response accepted.

08-III-G Water, Sewer, Electric and Storm Water Revenue Bonds

The provisions of the resolutions for the issuance of the revenue bonds relating to funding of the sinking funds were followed.

08-III-H Deposits and Investments

I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2008

08-III-I Deficit Fund Balances

At June 30, 2008, the City had deficit fund balances in the Capital Projects Fund of \$615,424, the Veterans Auditorium Fund of \$22,366, the D.A.R.E Fund of \$56, the Police Forfeiture Fund of \$18,487, the TIF – NW Terra Vista Fund of \$3,138, the TIF – Central Fund of \$2,132, and the Water Construction Fund of \$43,592. The City should make necessary transfers to eliminate these deficits.

Response: We are working to eliminate the deficits.

Conclusion: Response accepted.