

CITY OF PANORA

Panora, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2010

With Independent Auditor's Reports

CITY OF PANORA

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CITY OF PANORA

City Officials
June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Prior to January 1, 2010</u>		
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 Bump	Attorney	Indefinite
<u>Subsequent to December 31, 2009</u>		
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, 2013
Steve Pote	Council Member	December 31, 2013
Mark Vogel	Council Member	December 31, 2013
Lisa Grossman	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, 2010, 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, 2010 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 December 1, 2010 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 nine years ended June 30, 2009 (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 34 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
December 1, 2010

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 3.8%, or \$50,997, from fiscal 2009 to fiscal 2010. Property tax revenues and tax increment revenues both increased \$6,538 and \$35,552 respectively. Other city taxes increased by \$4,498. These other city taxes include the local option sales tax.
- Disbursements increased 136% or \$1,833,785 in fiscal 2009 from fiscal 2010. This was primarily due to planned large disbursements in Debt Service, \$812,911 and Capital Projects, \$1,115,628. Public safety and general government also increased by \$93,325 and \$14,722. These increases were partially offset by decreases in public works, culture and recreation, and community and economic development which decreased \$36,822, \$32,191, \$14,287 respectively.
- The City's total cash basis net assets increased 18.6%, or \$348,556, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased \$286,509 while the assets of the business type activities increased by \$62,047.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The "Management's Discussion and Analysis" introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The "Government-wide Financial Statement" consists of a "Statement of Activities and Net Assets." This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The "Fund Financial Statements" tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- "Required Supplementary Information" further explains and supports the financial statements with a comparison of the City's budget for the year.

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

Basis of Accounting

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

REPORT OF THE CITY’S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the City’s electric utility, water utility, the sanitary sewer system, solid waste/recycling operations, and the storm sewer. These activities are all financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

Proprietary funds account for the City's Enterprise Funds, which are the City's business type activities. The City maintains five Enterprise Funds to provide separate information for the water, sewer, electric, solid waste, and storm sewer funds, considered to be major funds of the City. The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$286,509 from a year ago, from \$491,399 to \$777,908. 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>2010</u>	<u>2009</u>
Receipts:		
Property tax	\$ 507,787	501,249
TIF revenues	150,037	114,485
Other city taxes	84,333	79,835
Licenses and permits	5,334	2,630
Use of money and property	32,181	38,866
Intergovernmental	160,822	240,596
Charges for services	254,280	190,304
Special assessments	37,859	61,415
Miscellaneous	152,531	104,787
Total Receipts	<u>1,385,164</u>	<u>1,334,167</u>
Disbursements:		
Operating:		
Public safety	458,661	365,336
Public works	138,520	175,342
Culture and recreation	102,013	134,204
Community and economic development	64,030	78,317
General government	53,801	39,079
Capital outlay:		
Public safety	0	119,501
Debt service	1,009,655	196,744
Capital projects	1,358,593	242,965
Total Disbursements	<u>3,185,273</u>	<u>1,351,488</u>
Excess (Deficit) of Receipts over (under) Disbursements	(1,800,109)	(17,321)
Other Financing Sources		
Proceeds of long-term debt	2,042,132	0
Transfers	<u>44,486</u>	<u>134,575</u>
Increase in Cash Basis Net Assets	286,509	117,254
Cash Basis Net Assets at Beginning of Year	491,399	374,145
Cash Basis Net Assets at End of Year	<u><u>\$ 777,908</u></u>	<u><u>\$ 491,399</u></u>

The City's total receipts for governmental activities increased by 3.8%, or \$50,997. The total cost of all programs and services increased by \$1,833,785, or 136%.

The cost of all governmental activities this year was \$3,185,273 compared to \$1,351,488 last year which was due to the Highway 44 Road project. As shown in the Statement of Activities and Net Assets on pages 11-12, the amount taxpayers ultimately financed for these activities was \$2,627,821 because some of the cost was paid by those who directly benefited from the programs (\$258,205) or by other governments and organizations that subsidized certain programs with grants and contributions (\$299,247).

Change in Cash Basis Net Assets of Business Type Activities

	Years Ended June 30,	
	<u>2010</u>	<u>2009</u>
Operating Receipts:		
Charges for service:		
Water	\$ 372,616	386,783
Sewer	217,378	205,914
Electric	1,250,040	1,252,910
Garbage	51,094	51,487
Landfill	25,112	24,857
Storm sewer	69,860	66,809
Total Operating Receipts	1,986,100	1,988,760
Operating Disbursements:		
Business type activities:		
Water	268,650	274,707
Sewer	213,090	216,103
Electric	1,086,148	1,037,948
Garbage	43,985	49,197
Landfill	21,150	21,737
Storm sewer	2,917	8,139
Total Operating Disbursements	1,635,940	1,607,831
Excess of Operating Receipts over Operating Disbursements	350,160	380,929
Total Non-Operating Receipts (Disbursements)	(288,113)	(376,973)
Net Change in Cash Balances	62,047	3,956
Cash Basis Net Assets at Beginning of Year	1,377,829	1,373,873
Cash Basis Net Assets at End of Year	\$ 1,439,876	1,377,829

Total business type activities receipts for the fiscal year were \$1,989,848 compared to \$1,995,234 last year. This decrease was due primarily to a small decrease in water revenue. The receipt of storm water dues, electric rates, proceeds of long-term debt and transfers from governmental funds remained steady from the previous fiscal year while sewer receipts saw an increase. Total disbursements and transfers for the fiscal year decreased by 3.2% to a total of \$1,927,801.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Panora completed the year, its governmental funds reported a combined fund balance of \$777,908, an increase of \$286,509 from last year's total of \$491,399. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- Much of the increase was due an increase of TIF collections, charges for services, economic development activity, and the price to do business. This is in spite of the fact that Special assessments decreased \$23,556 and use of money and property decreased \$6,685. Local option sales tax, though increased by \$4,498 and charges for services increased by \$63,976.
- The General Fund cash balance increased \$103,903 from the prior year to \$514,034. The reason the General Fund increased is the increase in revenue from Property taxes, TIF revenue, other city taxes, charges for services, and licenses and permits.
- The Road Use Tax Fund cash balance decreased by \$27,884 to \$26,899 during the fiscal year. This decrease was due to the City using the funds to make improvements to deteriorating streets.
- The Debt Service Fund decreased by \$171,389 to \$36,157 due to payments made to pay debt from the recently sold bond issue.
- The Capital Projects Fund decreased from \$254,631 to \$(104,208) due to paying down debt from the Highway 44 project, P28 improvements and the Downtown Streetscaping project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$58,798 to \$272,279. We have started planned rate increases for future planned improvements and plant upgrades.
- The Sewer Fund cash balance decreased by \$13,992 to \$142,018, due to repairs made to the sewer system. This decrease was significantly less than previous years due to cost saving measures with the metering equipment.
- The Electric Fund cash balance increased by \$40,351 to \$843,806 due to continued cost saving measures like reducing line loss.
- The Garbage Fund cash balance increased by \$7,109 to \$63,456 and the Landfill cash balance increased by \$3,962 to \$36,922. These amounts show that the City charges for these services are matching the costs paid to outside contractors.
- The Storm Water cash balance has increased to a positive balance of \$81,395. Planning has begun for future storm water projects and will be built into the fund in the future.

BUDGETARY HIGHLIGHTS

The City amended its budget for additional disbursements in certain City departments. The amendment was approved on May 24, 2010 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, 2010, the City had \$2,880,661 in bonds and other long-term debt, compared to \$2,035,942 last year, as shown below.

	Outstanding Debt at Year End	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Short-term debt	\$ 0	700,000
General obligation bonds	1,895,000	153,048
Revenue bonds	985,661	1,182,894
	<u>\$ 2,880,661</u>	<u>2,035,942</u>

General obligation debt increased as a result of the sale of a General Obligation bond for the Highway 44 project. 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 \$1,895,000 was below its constitutional debt limit of \$2,538,455.

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 2011 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 6.2% is below the State's unemployment rate of 6.8% and the National rate of 9.5%.

Inflation in the State during fiscal year 2010 was similar to the national level. The National CPI increase was 2.8% for the fiscal year 2010.

While property taxes are important to the City, they constitute approximately 9.4% of total program resources excluding other financing sources. TIF revenues comprised 2.8% of revenues. The largest revenue source, at over 41% 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. Unfortunately, interest revenues were down 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, 2010

	<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	\$ 458,661	250,877	30,237	4,500
Public works	138,520	106	108,995	0
Culture and recreation	102,013	7,072	23,512	0
Community and economic development	64,030	0	20,607	0
General government	53,801	150	0	0
Debt service	1,009,655	0	0	0
Capital projects	1,358,593	0	0	111,396
Total Governmental Activities	<u>3,185,273</u>	<u>258,205</u>	<u>183,351</u>	<u>115,896</u>
Business type activities:				
Water	387,822	372,616	0	0
Sewer	231,370	217,378	0	0
Electric	1,168,951	1,250,040	3,748	0
Garbage	43,985	51,094	0	0
Landfill	21,150	25,112	0	0
Storm water	30,037	69,860	0	0
Total Business Type Activities	<u>1,883,315</u>	<u>1,986,100</u>	<u>3,748</u>	<u>0</u>
Total	<u>\$ 5,068,588</u>	<u>2,244,305</u>	<u>187,099</u>	<u>115,896</u>
Component Unit:				
Panora Public Library Foundation:				
Culture and recreation	<u>\$ 18,001</u>	<u>0</u>	<u>0</u>	<u>16,781</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
- Proceeds of long-term debt
- 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, 2010

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
(173,047)	0	(173,047)	
(29,419)	0	(29,419)	
(71,429)	0	(71,429)	
(43,423)	0	(43,423)	
(53,651)	0	(53,651)	
(1,009,655)	0	(1,009,655)	
<u>(1,247,197)</u>	<u>0</u>	<u>(1,247,197)</u>	
<u>(2,627,821)</u>	<u>0</u>	<u>(2,627,821)</u>	
0	(15,206)	(15,206)	
0	(13,992)	(13,992)	
0	84,837	84,837	
0	7,109	7,109	
0	3,962	3,962	
<u>0</u>	<u>39,823</u>	<u>39,823</u>	
<u>0</u>	<u>106,533</u>	<u>106,533</u>	
<u>(2,627,821)</u>	<u>106,533</u>	<u>(2,521,288)</u>	
<u>(1,220)</u>	<u>0</u>	<u>(1,220)</u>	
	<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<u>\$ (2,627,821)</u>	<u>106,533</u>	<u>(2,521,288)</u>	<u>(1,220)</u>
333,519	0	333,519	0
150,037	0	150,037	0
174,268	0	174,268	0
84,333	0	84,333	0
32,181	0	32,181	0
2,042,132	0	2,042,132	0
53,374	0	53,374	0
44,486	(44,486)	0	0
<u>2,914,330</u>	<u>(44,486)</u>	<u>2,869,844</u>	<u>0</u>
286,509	62,047	348,556	(1,220)
491,399	1,377,829	1,869,228	3,476
<u>\$ 777,908</u>	<u>1,439,876</u>	<u>2,217,784</u>	<u>2,256</u>
\$ 26,899	0	26,899	0
169,459	0	169,459	0
36,157	111,750	147,907	0
31,359	0	31,359	2,256
514,034	1,328,126	1,842,160	0
<u>\$ 777,908</u>	<u>1,439,876</u>	<u>2,217,784</u>	<u>2,256</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, 2010

	<u>General</u>	<u>Special Revenue Road Use Tax</u>	<u>Debt Service</u>
Receipts:			
Property tax	\$ 227,551	0	174,268
TIF revenues	0	0	0
Other city taxes	0	0	0
Licenses and permits	5,334	0	0
Use of money and property	32,181	0	0
Intergovernmental	52,134	103,863	0
Charges for services	253,483	0	0
Special assessments	0	0	16,082
Miscellaneous	27,686	4,587	0
Total Receipts	598,369	108,450	190,350
Disbursements:			
Operating:			
Public safety	418,823	0	0
Public works	1,899	136,334	0
Culture and recreation	69,024	0	0
Community and economic development	0	0	0
General government	49,206	0	0
Debt service	0	0	405,965
Capital projects	0	0	0
Total Disbursements	538,952	136,334	405,965
Excess (Deficit) of Receipts over (under) Disbursements	59,417	(27,884)	(215,615)
Other Financing Sources (Uses)			
Proceeds of Long-Term Debt	0	0	0
Transfers In (Out)	44,486	0	44,226
Total Other Financing Sources (Uses)	44,486	0	44,226
Net Change in Cash Balances	103,903	(27,884)	(171,389)
Cash Balances at Beginning of Year	410,131	54,783	207,546
Cash Balances at End of Year	\$ 514,034	26,899	36,157
Cash Basis Fund Balances:			
Reserved:			
Debt service	\$ 0	0	36,157
Unreserved:			
General fund	514,034	0	0
Special revenue funds	0	26,899	0
Capital projects fund	0	0	0
Permanent fund	0	0	0
Total Cash Basis Fund Balances	\$ 514,034	26,899	36,157

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, 2010

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
0	105,968	507,787
0	150,037	150,037
0	84,333	84,333
0	0	5,334
0	0	32,181
1,874	2,951	160,822
0	797	254,280
21,777	0	37,859
93,049	27,209	152,531
<u>116,700</u>	<u>371,295</u>	<u>1,385,164</u>
0	39,838	458,661
0	287	138,520
0	32,989	102,013
0	64,030	64,030
0	4,595	53,801
603,690	0	1,009,655
1,358,593	0	1,358,593
<u>1,962,283</u>	<u>141,739</u>	<u>3,185,273</u>
(1,845,583)	229,556	(1,800,109)
2,042,132	0	2,042,132
58,082	(102,308)	44,486
<u>2,100,214</u>	<u>(102,308)</u>	<u>2,086,618</u>
254,631	127,248	286,509
(358,839)	177,778	491,399
<u>(104,208)</u>	<u>305,026</u>	<u>777,908</u>
0	0	36,157
0	0	514,034
	285,093	311,992
(104,208)	0	(104,208)
0	19,933	19,933
<u>(104,208)</u>	<u>305,026</u>	<u>777,908</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, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Operating Receipts:			
Charges for services	\$ 369,766	216,519	1,233,618
Miscellaneous	2,850	859	16,422
Total Operating Receipts	<u>372,616</u>	<u>217,378</u>	<u>1,250,040</u>
Disbursements:			
Operating:			
Business type activities	268,650	213,090	1,086,148
Total Operating Disbursements	<u>268,650</u>	<u>213,090</u>	<u>1,086,148</u>
Excess of Operating Receipts over Operating Disbursements	<u>103,966</u>	<u>4,288</u>	<u>163,892</u>
Non-Operating Receipts (Disbursements)			
Use of money and property - interest	0	0	3,748
Transfers	(43,592)	0	(44,486)
Debt service	(119,172)	(18,280)	(82,803)
Total Non-Operating Receipts (Disbursements)	<u>(162,764)</u>	<u>(18,280)</u>	<u>(123,541)</u>
Net Change in Cash Balances	(58,798)	(13,992)	40,351
Cash Balances at Beginning of Year	331,077	156,010	803,455
Cash Balances at End of Year	<u>\$ 272,279</u>	<u>142,018</u>	<u>843,806</u>
Cash Basis Fund Balances:			
Unrestricted:			
Reserved for debt service	\$ 75,000	36,750	0
Unreserved	197,279	105,268	843,806
Total Cash Basis Fund Balances	<u>\$ 272,279</u>	<u>142,018</u>	<u>843,806</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, 2010

Enterprise Funds

<u>Garbage</u>	<u>Landfill</u>	<u>Storm Water</u>	<u>Construction</u>	<u>Total</u>
51,094	25,112	69,860	0	1,965,969
0	0	0	0	20,131
<u>51,094</u>	<u>25,112</u>	<u>69,860</u>	<u>0</u>	<u>1,986,100</u>
43,985	21,150	2,917	0	1,635,940
<u>43,985</u>	<u>21,150</u>	<u>2,917</u>	<u>0</u>	<u>1,635,940</u>
<u>7,109</u>	<u>3,962</u>	<u>66,943</u>	<u>0</u>	<u>350,160</u>
0	0	0	0	3,748
0	0	0	43,592	(44,486)
0	0	(27,120)	0	(247,375)
<u>0</u>	<u>0</u>	<u>(27,120)</u>	<u>43,592</u>	<u>(288,113)</u>
7,109	3,962	39,823	43,592	62,047
56,347	32,960	41,572	(43,592)	1,377,829
<u>63,456</u>	<u>36,922</u>	<u>81,395</u>	<u>0</u>	<u>1,439,876</u>
0	0	0	0	111,750
63,456	36,922	81,395	0	1,328,126
<u>63,456</u>	<u>36,922</u>	<u>81,395</u>	<u>0</u>	<u>1,439,876</u>

CITY OF PANORA
Notes to the Financial Statements
June 30, 2010

(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. During the year ended June 30, 2010, all debt related to the construction of the library was paid and ownership of the library building was transferred 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.

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.

Measurement Focus and Basis of Accounting

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

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

CITY OF PANORA
Notes to the Financial Statements – Continued

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, general government, and debt service functions.

(2) Pooled Deposits and Investments

The City's deposits at June 30, 2010 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Note Payable

At the beginning of the year, the City had a note payable with Panora State Bank in the amount of \$700,000. The note carried an interest rate of 4.4% and matured December 1, 2009. The note was paid during the year. Interest paid on the note during the year ended June 30, 2010 amounted to \$19,047, all of which was charged to expense.

(4) Long-Term Debt

A summary of the City's June 30, 2010 general obligation and revenue bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	General Obligation		Water Revenue		Sewer Revenue		Electric Revenue		Storm Water		Total
		<u>Bond</u> Principal	<u>Bond</u> Interest	<u>Bonds</u> Principal	<u>Bonds</u> Interest	<u>Bond</u> Principal	<u>Bond</u> Interest	<u>Bond</u> Principal	<u>Bond</u> Interest	<u>Revenue Note</u> Principal	<u>Revenue Note</u> Interest	
2011	2.00 - 4.80%	\$ 100,000	60,612	97,000	18,415	11,000	6,390	80,000	3,840	15,938	11,182	404,377
2012	2.00 - 4.75	105,000	58,612	103,000	14,465	12,000	6,060	0	0	16,711	10,409	326,257
2013	2.00 - 4.80	110,000	56,512	104,000	10,185	12,000	5,700	0	0	17,523	9,597	325,517
2014	2.25 - 4.90	115,000	54,312	110,000	5,805	13,000	5,340	0	0	18,373	8,747	330,577
2015	3.00 - 4.75	120,000	51,726	36,000	1,080	13,000	4,950	0	0	19,265	7,855	253,876
		<u>550,000</u>	<u>281,774</u>	<u>450,000</u>	<u>49,950</u>	<u>61,000</u>	<u>28,440</u>	<u>80,000</u>	<u>3,840</u>	<u>87,810</u>	<u>47,790</u>	<u>1,640,604</u>
2016-2020	3.00 - 4.75	680,000	199,452	0	0	71,000	18,690	0	0	111,298	24,302	1,104,742
2021-2025	3.00 - 4.75	665,000	66,376	0	0	81,000	7,440	0	0	43,553	1,841	865,210
		<u>\$ 1,895,000</u>	<u>547,602</u>	<u>450,000</u>	<u>49,950</u>	<u>213,000</u>	<u>54,570</u>	<u>80,000</u>	<u>3,840</u>	<u>242,661</u>	<u>73,933</u>	<u>3,610,556</u>

CITY OF PANORA

Notes to the Financial Statements – Continued

Interest paid on General Obligation Bonds, loans and notes amounted to \$32,445, interest paid on Water Revenue Bonds amounted to \$22,270, interest paid on Sewer Revenue Bonds amounted to \$6,720, interest paid on Electric Revenue Bonds amounted to \$7,403 and interest paid on Storm Water Revenue Notes amounted to \$11,887. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2010 are as follows:

<u>Type of Indebtedness</u>	<u>Amount</u>
General Obligation Bonds	\$ 36,157
Water Revenue Bonds	75,000
Sewer Revenue Bonds	36,750
	<u>\$ 147,907</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 Bond provides 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 Bond. The Electric Revenue Bond provides 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 Bond. The Storm Sewer Revenue Note provides 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 Note. Minimum annual sinking fund requirements are as follows:

Year Ending <u>June 30,</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>
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
2014	115,805	18,340	0	27,120
2015	37,080	17,950	0	27,120
	<u>499,950</u>	<u>89,440</u>	<u>83,840</u>	<u>135,600</u>
2016-2020	0	89,690	0	135,600
2021-2025	0	88,440	0	45,394
	<u>\$ 499,950</u>	<u>267,570</u>	<u>83,840</u>	<u>316,594</u>

CITY OF PANORA
Notes to the Financial Statements - Continued

(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 4.30% of their annual salary and the City is required to contribute 6.65% 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, 2010, 2009, and 2008 were \$40,241, \$33,750, and \$32,528, 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, 2010 are as follows:

	General Obligation	Loan	Short-Term Loan	Total
Balance at beginning of the year	\$ 95,000	58,048	700,000	853,048
New loans issued	2,060,000	0	0	2,060,000
Principal payments during the year	(260,000)	(58,048)	(700,000)	(1,018,048)
Balance at end of the year	<u>\$ 1,895,000</u>	<u>0</u>	<u>0</u>	<u>1,895,000</u>

(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, 2010 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$ 80,156
Vacation	25,788
Personal leave	37,430
	<u>\$143,374</u>

The liability has been computed based on rates of pay as of June 30, 2010.

CITY OF PANORA
Notes to the Financial Statements – Continued

- (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
Subsequent to June 30, 2010, the City of Panora made a commitment to purchase an ambulance for \$154,657.
- (11) Stewardship, Compliance and Accountability – Deficit Fund Balances
At June 30, 2010, the City of Panora had a deficit fund balance in the Capital Projects Fund of \$104,208 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, 2010, the City had a deficit fund balance in the Police Forfeiture Fund of \$18,738 as a result of disbursements exceeding receipts during the years ended June 30, 2009, 2008 and 2007. This deficit will be eliminated through future police forfeiture collections. At June 30, 2010, 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.
- (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, 2010, disbursements in the public safety, general government, and debt service programs exceeded the amounts budgeted.

CITY OF PANORA
Notes to the Financial Statements – Continued

(13) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Electric Revenue	\$ 44,486
TIF - Low/Mod Housing	TIF - NW	28,635
	TIF - NW Terra Vista	5,587
		<u>34,222</u>
Debt Service	TIF - NW	<u>44,226</u>
Capital Projects	TIF - NE	<u>58,082</u>
		<u><u>\$ 181,016</u></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, 2010

	Governmental Funds	Proprietary Funds	Total
Receipts:			
Property tax	\$ 507,787	0	507,787
TIF revenues	150,037	0	150,037
Other city taxes	84,333	0	84,333
Licenses and permits	5,334	0	5,334
Use of money and property	32,181	3,748	35,929
Intergovernmental	160,822	0	160,822
Charges for services	254,280	1,986,100	2,240,380
Special assessments	37,859	0	37,859
Miscellaneous	152,531	0	152,531
Other financing sources	2,086,618	0	2,086,618
Total Receipts	<u>3,471,782</u>	<u>1,989,848</u>	<u>5,461,630</u>
Disbursements:			
Public safety	458,661	0	458,661
Public works	138,520	0	138,520
Culture and recreation	102,013	0	102,013
Community and economic development	64,030	0	64,030
General government	53,801	0	53,801
Debt service	1,009,655	0	1,009,655
Capital projects	1,358,593	0	1,358,593
Business type activities	0	1,883,315	1,883,315
Other financing uses	0	44,486	44,486
Total Disbursements	<u>3,185,273</u>	<u>1,927,801</u>	<u>5,113,074</u>
Excess (Deficit) of Receipts over (under) Disbursements	286,509	62,047	348,556
Balances at Beginning of Year	491,399	1,377,829	1,869,228
Balances at End of Year	<u>\$ 777,908</u>	<u>1,439,876</u>	<u>2,217,784</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, 2010

<u>Budgeted Amounts</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
498,654	498,654	9,133
557,449	120,671	29,366
87,285	87,285	(2,952)
3,700	3,700	1,634
36,550	36,550	(621)
119,400	119,400	41,422
1,955,500	2,075,500	164,880
35,000	35,000	2,859
100,000	100,000	52,531
247,660	2,442,660	(356,042)
3,641,198	5,519,420	(57,790)
325,114	330,114	(128,547)
144,733	144,733	6,213
115,060	116,560	14,547
557,449	150,671	86,641
37,309	45,259	(8,542)
426,351	616,028	(393,627)
0	2,000,000	641,407
1,762,550	1,912,550	29,235
247,660	247,660	203,174
3,616,226	5,563,575	450,501
24,972	(44,155)	392,711
3,216,406	3,216,406	(1,347,178)
3,241,378	3,172,251	(954,467)

CITY OF PANORA
Notes to Required Supplementary Information
June 30, 2010

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. Function disbursements required to be budgeted include disbursements for the General Fund, The Special Revenue Funds, The Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$1,878,222 and budgeted disbursements by \$1,947,349. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded amounts budgeted in the public safety, general government, and debt service 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, 2010

	Veterans Auditorium	D.A.R.E	Police Forfeiture	Employee Benefits	Local Option Sales Tax
Receipts:					
Property tax	\$ 20,728	0	0	85,240	0
TIF revenues	0	0	0	0	0
Other city taxes	0	0	0	0	84,333
Intergovernmental	0	0	0	0	0
Charges for services	797	0	0	0	0
Miscellaneous	0	0	3,479	0	0
Total Receipts	<u>21,525</u>	<u>0</u>	<u>3,479</u>	<u>85,240</u>	<u>84,333</u>
Disbursements:					
Operating:					
Public safety	0	967	604	38,267	0
Public works	0	0	0	287	0
Culture and recreation	7,307	0	0	14,382	10,450
Community and economic development	0	0	0	0	25,880
General government	0	0	0	4,595	0
Total Disbursements	<u>7,307</u>	<u>967</u>	<u>604</u>	<u>57,531</u>	<u>36,330</u>
Excess (Deficit) of Receipts over (under) Disbursements	14,218	(967)	2,875	27,709	48,003
Operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Cash Balances	14,218	(967)	2,875	27,709	48,003
Cash Balances at Beginning of Year	(11,326)	967	(21,613)	47,220	3,736
Cash Balances at End of Year	<u>\$ 2,892</u>	<u>0</u>	<u>(18,738)</u>	<u>74,929</u>	<u>51,739</u>
Cash Basis Fund Balances:					
Unreserved:					
Special revenue funds	\$ 2,892	0	(18,738)	74,929	51,739
Permanent fund	0	0	0	0	0
	<u>\$ 2,892</u>	<u>0</u>	<u>(18,738)</u>	<u>74,929</u>	<u>51,739</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, 2010

<u>Special Revenue</u>						<u>Permanent</u>	
<u>TIF - NW</u>	<u>TIF - Low/Mod Housing</u>	<u>TIF - NE</u>	<u>TIF - NW Terra Vista</u>	<u>TIF - Central</u>	<u>Economic Development</u>	<u>Trust and Agency</u>	<u>Total</u>
0	0	0	0	0	0	0	105,968
72,861	0	62,959	14,217	0	0	0	150,037
0	0	0	0	0	0	0	84,333
0	0	0	0	0	0	2,951	2,951
0	0	0	0	0	0	0	797
0	0	0	0	0	20,607	3,123	27,209
<u>72,861</u>	<u>0</u>	<u>62,959</u>	<u>14,217</u>	<u>0</u>	<u>20,607</u>	<u>6,074</u>	<u>371,295</u>
0	0	0	0	0	0	0	39,838
0	0	0	0	0	0	0	287
0	0	0	0	0	0	850	32,989
0	6,030	0	8,630	0	23,490	0	64,030
0	0	0	0	0	0	0	4,595
<u>0</u>	<u>6,030</u>	<u>0</u>	<u>8,630</u>	<u>0</u>	<u>23,490</u>	<u>850</u>	<u>141,739</u>
72,861	(6,030)	62,959	5,587	0	(2,883)	5,224	229,556
<u>(72,861)</u>	<u>34,222</u>	<u>(58,082)</u>	<u>(5,587)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(102,308)</u>
0	28,192	4,877	0	0	(2,883)	5,224	127,248
80,009	63,335	(4,877)	55	(2,132)	7,695	14,709	177,778
<u>80,009</u>	<u>91,527</u>	<u>0</u>	<u>55</u>	<u>(2,132)</u>	<u>4,812</u>	<u>19,933</u>	<u>305,026</u>
80,009	91,527	0	55	(2,132)	4,812	0	285,093
0	0	0	0	0	0	19,933	19,933
<u>80,009</u>	<u>91,527</u>	<u>0</u>	<u>55</u>	<u>(2,132)</u>	<u>4,812</u>	<u>19,933</u>	<u>305,026</u>

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
General Obligation Notes	June 1, 2000	5.25 - 5.40%	\$ 610,000
Fire truck loan	February 24, 2005	4.50	120,069
General Obligation Bonds	January 12, 2010	2.00 - 4.00	2,060,000
Total General Obligation Bonds			
Revenue Bonds:			
Water	May 1, 2001	4.20 - 4.90	750,000
Water SRF	February 6, 2003	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, 2010

<u>Balance</u> <u>June 30, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Interest</u> <u>Paid</u>
\$ 95,000	0	95,000	0	5,130
58,048	0	58,048	0	2,638
0	2,060,000	165,000	1,895,000	24,677
<u>153,048</u>	<u>2,060,000</u>	<u>318,048</u>	<u>1,895,000</u>	<u>32,445</u>
345,000	0	65,000	280,000	16,240
201,000	0	31,000	170,000	6,030
<u>546,000</u>	<u>0</u>	<u>96,000</u>	<u>450,000</u>	<u>22,270</u>
224,000	0	11,000	213,000	6,720
155,000	0	75,000	80,000	7,403
257,894	0	15,233	242,661	11,887
<u>1,182,894</u>	<u>0</u>	<u>197,233</u>	<u>985,661</u>	<u>48,280</u>
<u>\$ 1,335,942</u>	<u>2,060,000</u>	<u>515,281</u>	<u>2,880,661</u>	<u>80,725</u>

CITY OF PANORA
 Bond and Note Maturities
 June 30, 2010

<u>Year</u> Ending June 30,	<u>General Obligation Bond</u> Issued 1-12-10	
	<u>Interest</u> Rates	<u>Amount</u>
2011	2.000%	\$ 100,000
2012	2.000	105,000
2013	2.000	110,000
2014	2.250	115,000
2015	3.000	120,000
2016	3.000	125,000
2017	3.250	130,000
2018	3.250	135,000
2019	3.375	140,000
2020	3.625	150,000
2021	3.750	155,000
2022	3.750	160,000
2023	3.875	170,000
2024	4.000	180,000
		<u>\$ 1,895,000</u>

<u>Year</u> Ending June 30,	<u>Water Revenue Bonds</u>				
	<u>Issued 5-1-01</u>		<u>SRF</u>		<u>Total</u>
	<u>Interest</u> Rates	<u>Amount</u>	<u>Interest</u> Rates	<u>Amount</u>	
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>\$ 280,000</u>		<u>170,000</u>	<u>450,000</u>

CITY OF PANORA
 Bond and Note Maturities
 June 30, 2010

<u>Sewer Revenue Bond</u>		<u>Electric Revenue Bond</u>		<u>Storm Water Revenue Note</u>	
<u>SRF</u>		<u>Issued 2-1-01</u>		<u>Issued 4-3-07</u>	
<u>Interest</u>		<u>Interest</u>		<u>Interest</u>	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
3.00%	\$ 11,000	4.80%	\$ 80,000	4.75%	\$ 15,938
3.00	12,000	--	--	4.75	16,711
3.00	12,000	--	--	4.75	17,523
3.00	13,000	--	--	4.75	18,373
3.00	13,000	--	--	4.75	19,265
3.00	13,000	--	--	4.75	20,201
3.00	14,000	--	--	4.75	21,181
3.00	14,000	--	--	4.75	22,210
3.00	15,000	--	--	4.75	23,288
3.00	15,000	--	--	4.75	24,418
3.00	15,000	--	--	4.75	25,604
3.00	16,000	--	--	4.75	17,949
3.00	16,000	--	--	--	--
3.00	17,000	--	--	--	--
3.00	17,000	--	--	--	--
	<u>\$ 213,000</u>		<u>\$ 80,000</u>		<u>\$ 242,661</u>

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

	<u>2010</u>	<u>Years Ended June 30</u>		<u>2007</u>
		<u>2009</u>	<u>2008</u>	
Receipts:				
Property tax	\$ 507,787	501,249	476,040	464,399
TIF revenues	150,037	114,485	130,558	116,406
Other city taxes	84,333	79,835	76,002	104,390
Licenses and permits	5,334	2,630	3,178	6,736
Use of money and property	32,181	38,866	45,219	37,654
Intergovernmental	160,822	240,596	227,321	292,020
Charges for services	254,280	190,304	150,418	79,111
Special assessments	37,859	61,415	32,736	19,780
Miscellaneous	152,531	104,787	47,810	20,169
Total Receipts	<u>\$ 1,385,164</u>	<u>1,334,167</u>	<u>1,189,282</u>	<u>1,140,665</u>
Disbursements:				
Public safety	\$ 458,661	484,837	372,386	306,271
Public works	138,520	175,342	188,907	129,862
Culture and recreation	102,013	134,204	186,068	119,611
Community and economic development	64,030	78,317	95,575	146,287
General government	53,801	39,079	71,433	37,908
Debt service	1,009,655	196,744	144,905	150,702
Capital projects	1,358,593	242,965	1,182,071	128,191
Total Disbursements	<u>\$ 3,185,273</u>	<u>1,351,488</u>	<u>2,241,345</u>	<u>1,018,832</u>

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

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
425,105	444,863	427,169	399,894	370,023	380,752
102,883	88,637	77,625	65,783	47,859	12,993
108,819	78,978	9,030	3,343	0	0
10,131	6,669	4,798	2,803	2,196	2,143
39,248	30,878	17,908	38,369	59,717	81,246
215,729	212,240	159,865	165,769	197,696	386,139
61,506	38,231	39,742	23,245	32,890	14,229
19,356	20,174	20,992	19,961	23,672	3,223
22,557	29,560	12,880	52,299	22,515	32,580
<u>1,005,334</u>	<u>950,230</u>	<u>770,009</u>	<u>771,466</u>	<u>756,568</u>	<u>913,305</u>
251,007	242,114	259,610	198,135	205,007	192,088
163,879	136,035	139,149	128,168	130,013	324,136
160,321	99,237	100,852	92,896	77,641	79,111
104,469	84,081	49,755	23,829	34,309	14,382
25,042	31,790	28,306	98,943	92,464	143,250
151,223	151,465	165,916	169,050	169,818	175,320
38,580	82,142	0	0	0	0
<u>894,521</u>	<u>826,864</u>	<u>743,588</u>	<u>711,021</u>	<u>709,252</u>	<u>928,287</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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated December 1, 2010. 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 opinions 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 on 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 and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompany Schedule of Findings, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Panora's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings to be a significant deficiency.

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, 2010 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 10-III-A, 10-III-F and 10-III-I.

The City of Panora's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Panora's responses and, accordingly, I express no opinion on them.

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
December 1, 2010

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2010

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 significant deficiency 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, 2010

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

No matters were noted.

Significant Deficiency

10-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, 2010

Part III: Other Findings Related to Statutory Reporting

10-III-A Certified Budget

City expenditures during the year ended June 30, 2010 exceeded amounts budgeted therefore in the public safety, general government and debt service programs. Chapter 384 of the Code of Iowa prohibits such budget overruns. City officials should carefully monitor expenditures and prepare budget amendments when necessary.

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

Conclusion: Response accepted.

10-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.

10-III-C Travel Expense

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

10-III-D Business Transactions

During the year ended June 30, 2010, there were no business transactions between the City and City officials.

10-III-E Bond Coverage

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

10-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.

10-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.

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2010

10-III-H Deposits and Investments

The City has adopted an appropriate resolution regarding the deposit of public funds in an approved financial institution. During the year ended June 30, 2010, the maximum deposit amount specified in the resolution was exceeded. I noted no other instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

Response: The maximum deposit amounts were exceeded for a short period of time after the receipt of debt proceeds. It is anticipated that the maximum deposit amount is sufficient for the foreseeable future.

Conclusion: Response accepted.

10-III-I Deficit Fund Balances

At June 30, 2010, the City had deficit fund balances in the Capital Projects Fund of \$104,208, the Police Forfeiture Fund of \$18,738, and the TIF – Central Fund of \$2,132. The City should make necessary transfers to eliminate these deficits.

Response: We are working to eliminate the deficits.

Conclusion: Response accepted.