

**CITY OF PANORA**

Panora, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2011

With Independent Auditor's Reports

## CITY OF PANORA

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**CITY OF PANORA**  
City Officials  
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</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, 2011, 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, 2011 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 5, 2011 on my consideration of the City of Panora's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 23 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Panora's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (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 26 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  
December 5, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 12%, or \$165,677, from fiscal 2010 to fiscal 2011. This was due to moving the ambulance department from the general fund into a proprietary fund. Property tax revenues increased \$4,662 while tax increment revenues and other city taxes decreased \$22,202 and \$12,524 respectively. These other city taxes include the local option sales tax.
- Disbursements decreased 68% or \$2,151,686 in fiscal 2010 from fiscal 2011. This was primarily due to no large capital projects and a decrease in debt service during this fiscal year. Capital projects decreased \$1,115,964 and debt services decreased \$848,593. In addition, public safety and community and economic development decreased by \$204,576 and \$7,678 respectively. These decreases were partially offset by increases in public works, culture and recreation and general government which increased by \$13,745, \$1,741, and \$9,639. There were two capital outlay disbursements for fiscal 2011. Public safety had a disbursement of \$25,376 for the purchase of a police car, while public works had a disbursement of \$34,000 for the purchase of a streetsweeper.

The City's total cash basis net assets increased 8.1%, or \$179,657, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased \$132,954 while the assets of the business type activities increased by \$46,703.

### 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, ambulance 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, 4) the Capital Projects Fund and 5) 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 six Enterprise Funds to provide separate information for the water, sewer, electric, solid waste, ambulance 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 \$132,954 from a year ago, from \$777,908 to \$910,862. 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>2011</u>	<u>2010</u>
Receipts:		
Property tax	\$ 512,449	507,787
TIF revenues	127,835	150,037
Other city taxes	71,809	84,333
Licenses and permits	3,908	5,334
Use of money and property	19,560	32,181
Intergovernmental	202,474	160,822
Charges for services	5,744	254,280
Special assessments	52,262	37,859
Miscellaneous	223,446	152,531
Total Receipts	<u>1,219,487</u>	<u>1,385,164</u>
Disbursements:		
Operating:		
Public safety	228,709	458,661
Public works	118,265	138,520
Culture and recreation	103,754	102,013
Community and economic development	56,352	64,030
General government	63,440	53,801
Capital outlay:		
Public safety	25,376	0
Public works	34,000	0
Debt service	161,062	1,009,655
Capital projects	242,629	1,358,593
Total Disbursements	<u>1,033,587</u>	<u>3,185,273</u>
Excess (Deficit) of Receipts over (under) Disbursements	185,900	(1,800,109)
Other Financing Sources (Uses)		
Proceeds of long-term debt	0	2,042,132
Transfers	<u>(52,946)</u>	<u>44,486</u>
Increase in Cash Basis Net Assets	132,954	286,509
Cash Basis Net Assets at Beginning of Year	777,908	491,399
Cash Basis Net Assets at End of Year	<u><u>\$ 910,862</u></u>	<u><u>777,908</u></u>

The City's total receipts for governmental activities decreased by 12%, or \$165,677. The total cost of all programs and services decreased by \$2,151,686, or 68%.

The cost of all governmental activities this year was \$1,033,587 compared to \$3,185,273 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 \$560,479 because some of the cost was paid by those who directly benefited from the programs (\$12,064) or by other governments and organizations that subsidized certain programs with grants and contributions (\$461,044).

Change in Cash Basis Net Assets of Business Type Activities

	Years Ended June 30,	
	<u>2011</u>	<u>2010</u>
Operating Receipts:		
Charges for service:		
Water	\$ 454,523	372,616
Sewer	276,561	217,378
Electric	1,298,431	1,250,040
Garbage	50,058	51,094
Landfill	25,067	25,112
Ambulance	350,532	0
Storm sewer	66,879	69,860
Total Operating Receipts	<u>2,522,051</u>	<u>1,986,100</u>
Operating Disbursements:		
Business type activities:		
Water	304,264	268,650
Sewer	200,341	213,090
Electric	1,284,541	1,086,148
Garbage	40,939	43,985
Landfill	21,239	21,150
Ambulance	426,340	0
Storm sewer	7,187	2,917
Total Operating Disbursements	<u>2,284,851</u>	<u>1,635,940</u>
Excess of Operating Receipts over Operating Disbursements	<u>237,200</u>	<u>350,160</u>
Total Non-Operating Receipts (Disbursements)	<u>(190,497)</u>	<u>(288,113)</u>
Net Change in Cash Balances	46,703	62,047
Cash Basis Net Assets at Beginning of Year	1,439,876	1,377,829
Cash Basis Net Assets at End of Year	<u>\$ 1,486,579</u>	<u>1,439,876</u>

Total business type activities receipts for the fiscal year were \$2,522,051 compared to \$1,986,100 last year. This increase was due primarily to the addition of the ambulance fund as a proprietary fund. The receipt of electric rates, proceeds of long-term debt and transfers from governmental funds remained steady from the previous fiscal year while water, sewer, and storm water receipts saw an increase due to rate increases. Total disbursements for the fiscal year increased by 34% to a total of \$2,530,474 due to the ambulance fund addition as well.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Panora completed the year, its governmental funds reported a combined fund balance of \$910,862, an increase of \$132,954 from last year's total of \$777,908. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The increase was due to an increase of Property tax revenue, intergovernmental, special assessments, and miscellaneous revenue. The changes were \$4,662, \$41,652, \$14,403, and \$70,915 respectively. The major decrease was in charges for services as the ambulance fund was moved to a proprietary fund, a change of \$248,536. TIF Revenues, other city taxes, licenses and permits and use of money and property all decreased from last year as well.
- The General Fund cash balance decreased \$107,502 from the prior year to \$406,532. The reason the General Fund decreased was the transfer of ambulance revenue to a proprietary fund.
- The Road Use Tax Fund cash balance decreased by \$3,355 to \$23,544 during the fiscal year. This decrease was due to the City using the funds to make improvements to deteriorating streets.
- The Debt Service Fund increased by \$14,189 to \$50,346 due to assessments being collected from sidewalk improvements done during the Highway 44 project. This revenue will be used to pay down the 2010 GO bond in the future.
- The Capital Projects Fund increased from \$(104,208) to \$77,782 due to the complete repayment of the debt from the Highway 44 project, P28 improvements and the Downtown Streetscaping project. In addition, the fund will be used to pay for a proposed public building complex that is being planned.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$11,024 to \$283,303. This was due in part to planned rate increases for future planned improvements and plant upgrades as well as cost saving measures.
- The Sewer Fund cash balance increased by \$58,297 to \$200,315, due a planned rate increase in order to meet bond covenants. In addition, the additional revenue will be used for planned improvements to the sewer system.
- The Electric Fund cash balance decreased by \$79,921 to \$763,885 due to a needed upgrade with our generators. The repairs were paid for with fund balance reserve instead of taking out a loan.
- The Garbage Fund cash balance decreased by \$9,881 to \$53,575 and the Landfill cash balance increased by \$3,828 to \$40,750. These amounts show that the City charges for these services are matching the costs paid to outside contractors. The reason for the decrease of the garbage fund balance was the purchase of a street sweeper machine. Part of the payment came from the garbage fund to pay for this purchase.

- The Storm Water cash balance has increased by \$32,572 to \$113,967. This is due to increased storm water rates for planned storm water projects that are in design currently.
- The Ambulance fund is a new enterprise fund as of this fiscal year. The fund balance is \$30,784. Currently, the City is planning for a new public building that will be funded in part by this fund. Prior to the fund being moved, it was located in the general fund and a purchase of a new ambulance was made decreasing the fund balance. No other large capital purchases are being planned.

## BUDGETARY HIGHLIGHTS

The City amended its budget for additional disbursements in certain City departments. The amendment was approved on May 23, 2011 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, 2011, the City had \$2,653,956 in bonds and other long-term debt, compared to \$2,880,661 last year, as shown below.

	Outstanding Debt at Year End	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
General obligation bonds	\$ 1,795,000	1,895,000
Revenue bonds	858,956	985,661
	<u>\$ 2,653,956</u>	<u>2,880,661</u>

General obligation debt decreased as a result of bond payments being made and no new debt being issued. 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 \$1,795,000 was below its constitutional debt limit of \$2,811,439.

## 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 2012 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 5.3% is below the State's unemployment rate of 6.1% and the National rate of 9.1%.

Inflation in the State during fiscal year 2011 was similar to the national level. The National CPI increase was 3.6% for the fiscal year 2011.

While property taxes are important to the City, they constitute approximately 13.7% of total program resources excluding other financing sources. TIF revenues comprised 3.4% of revenues. The largest revenue source, at over 67% 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 Activities and Net Assets - Cash Basis  
As of and For the Year Ended June 30, 2011

	<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	\$ 254,085	6,321	35,537	0
Public works	152,265	0	111,821	0
Culture and recreation	103,754	5,675	33,614	0
Community and economic development	56,352	0	44,378	0
General government	63,440	68	0	0
Debt service	161,062	0	15,497	0
Capital projects	242,629	0	0	220,197
Total Governmental Activities	<u>1,033,587</u>	<u>12,064</u>	<u>240,847</u>	<u>220,197</u>
Business type activities:				
Water	420,554	454,523	0	0
Sewer	218,264	276,561	0	0
Electric	1,368,831	1,298,431	2,180	0
Garbage	40,939	50,058	0	0
Landfill	21,239	25,067	0	0
Ambulance	426,340	340,604	9,928	0
Storm water	34,307	66,879	0	0
Total Business Type Activities	<u>2,530,474</u>	<u>2,512,123</u>	<u>12,108</u>	<u>0</u>
Total	<u>\$ 3,564,061</u>	<u>2,524,187</u>	<u>252,955</u>	<u>220,197</u>

General Receipts:	
Property tax levied for:	
General purposes	
Tax increment financing	
Debt service	
Local option sales tax	
Unrestricted interest on investments	
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:	
Nonexpendable - Permanent Fund	
Expendable:	
Streets	
Urban renewal purposes	
Debt service	
Other purposes	
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, 2011

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(212,227)	0	(212,227)
(40,444)	0	(40,444)
(64,465)	0	(64,465)
(11,974)	0	(11,974)
(63,372)	0	(63,372)
(145,565)	0	(145,565)
(22,432)	0	(22,432)
<u>(560,479)</u>	<u>0</u>	<u>(560,479)</u>
0	33,969	33,969
0	58,297	58,297
0	(68,220)	(68,220)
0	9,119	9,119
0	3,828	3,828
0	(75,808)	(75,808)
0	32,572	32,572
<u>0</u>	<u>(6,243)</u>	<u>(6,243)</u>
<u>(560,479)</u>	<u>(6,243)</u>	<u>(566,722)</u>
352,695	0	352,695
127,835	0	127,835
159,754	0	159,754
71,809	0	71,809
19,560	0	19,560
14,726	0	14,726
(52,946)	52,946	0
<u>693,433</u>	<u>52,946</u>	<u>746,379</u>
132,954	46,703	179,657
777,908	1,439,876	2,217,784
<u>\$ 910,862</u>	<u>1,486,579</u>	<u>2,397,441</u>
\$ 24,700	0	24,700
23,544	0	23,544
240,038	0	240,038
50,346	111,750	162,096
165,702	0	165,702
406,532	1,374,829	1,781,361
<u>\$ 910,862</u>	<u>1,486,579</u>	<u>2,397,441</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, 2011

	<u>General</u>	<u>Special Revenue Road Use Tax</u>	<u>Debt Service</u>
Receipts:			
Property tax	\$ 261,948	0	159,754
TIF revenues	0	0	0
Other city taxes	0	0	0
Licenses and permits	3,908	0	0
Use of money and property	19,560	0	0
Intergovernmental	50,903	111,821	0
Charges for services	4,551	0	0
Special assessments	0	0	15,497
Miscellaneous	7,353	782	0
	<hr/>	<hr/>	<hr/>
Total Receipts	348,223	112,603	175,251
Disbursements:			
Operating:			
Public safety	180,675	0	0
Public works	30	100,958	0
Culture and recreation	69,551	0	0
Community and economic development	0	0	0
General government	46,935	0	0
Capital outlay:			
Public safety	25,376	0	0
Public works	0	34,000	0
Debt service	0	0	161,062
Capital projects	0	0	0
	<hr/>	<hr/>	<hr/>
Total Disbursements	322,567	134,958	161,062
Excess (Deficit) of Receipts over (under) Disbursements	25,656	(22,355)	14,189
Other Financing Sources (Uses) Transfers In (Out)	<hr/> (133,158) <hr/>	<hr/> 19,000 <hr/>	<hr/> 0 <hr/>
Net Change in Cash Balances	(107,502)	(3,355)	14,189
Cash Balances at Beginning of Year	514,034	26,899	36,157
Cash Balances at End of Year	<hr/> <u>\$ 406,532</u> <hr/>	<hr/> <u>23,544</u> <hr/>	<hr/> <u>50,346</u> <hr/>
Cash Basis Fund Balances:			
Nonspendable - Permanent Fund	\$ 0	0	0
Restricted for:			
Urban renewal purposes	0	0	0
Debt service	0	0	50,346
Streets	0	23,544	0
Other purposes	0	0	0
Unassigned	406,532	0	0
	<hr/>	<hr/>	<hr/>
Total Cash Basis Fund Balances	<u>\$ 406,532</u>	<u>23,544</u>	<u>50,346</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, 2011

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
0	90,747	512,449
0	127,835	127,835
0	71,809	71,809
0	0	3,908
0	0	19,560
37,776	1,974	202,474
0	1,193	5,744
36,765	0	52,262
150,634	64,677	223,446
<u>225,175</u>	<u>358,235</u>	<u>1,219,487</u>
0	48,034	228,709
0	17,277	118,265
0	34,203	103,754
0	56,352	56,352
0	16,505	63,440
0	0	25,376
0	0	34,000
0	0	161,062
242,629	0	242,629
<u>242,629</u>	<u>172,371</u>	<u>1,033,587</u>
(17,454)	185,864	185,900
<u>199,444</u>	<u>(138,232)</u>	<u>(52,946)</u>
181,990	47,632	132,954
(104,208)	305,026	777,908
<u>77,782</u>	<u>352,658</u>	<u>910,862</u>
0	24,700	24,700
0	240,038	240,038
0	0	50,346
0	0	23,544
77,782	87,920	165,702
0	0	406,532
<u>77,782</u>	<u>352,658</u>	<u>910,862</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, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Operating Receipts:			
Charges for services	\$ 450,773	275,261	1,237,050
Intergovernmental receipts	0	0	0
Miscellaneous	3,750	1,300	61,381
Total Operating Receipts	<u>454,523</u>	<u>276,561</u>	<u>1,298,431</u>
Disbursements:			
Operating:			
Business type activities	272,174	200,341	1,284,541
Capital outlay:			
Business type activities	32,090	0	0
Total Operating Disbursements	<u>304,264</u>	<u>200,341</u>	<u>1,284,541</u>
Excess of Operating Receipts over Operating Disbursements	<u>150,259</u>	<u>76,220</u>	<u>13,890</u>
Non-Operating Receipts (Disbursements)			
Use of money and property - interest	0	0	2,180
Transfers	(22,945)	0	(11,701)
Debt service	(116,290)	(17,923)	(84,290)
Total Non-Operating Receipts (Disbursements)	<u>(139,235)</u>	<u>(17,923)</u>	<u>(93,811)</u>
Net Change in Cash Balances	11,024	58,297	(79,921)
Cash Balances at Beginning of Year	272,279	142,018	843,806
Cash Balances at End of Year	<u>\$ 283,303</u>	<u>200,315</u>	<u>763,885</u>
Cash Basis Fund Balances:			
Restricted for debt service	\$ 75,000	36,750	0
Unrestricted	208,303	163,565	763,885
Total Cash Basis Fund Balances	<u>\$ 283,303</u>	<u>200,315</u>	<u>763,885</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, 2011

Enterprise Funds

<u>Garbage</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Storm Water</u>	<u>Total</u>
50,058	25,067	335,212	66,879	2,440,300
0	0	9,928	0	9,928
0	0	5,392	0	71,823
<u>50,058</u>	<u>25,067</u>	<u>350,532</u>	<u>66,879</u>	<u>2,522,051</u>
40,939	21,239	262,435	7,187	2,088,856
0	0	163,905	0	195,995
<u>40,939</u>	<u>21,239</u>	<u>426,340</u>	<u>7,187</u>	<u>2,284,851</u>
9,119	3,828	(75,808)	59,692	237,200
0	0	0	0	2,180
(19,000)	0	106,592	0	52,946
0	0	0	(27,120)	(245,623)
<u>(19,000)</u>	<u>0</u>	<u>106,592</u>	<u>(27,120)</u>	<u>(190,497)</u>
(9,881)	3,828	30,784	32,572	46,703
63,456	36,922	0	81,395	1,439,876
<u>53,575</u>	<u>40,750</u>	<u>30,784</u>	<u>113,967</u>	<u>1,486,579</u>
0	0	0	0	111,750
53,575	40,750	30,784	113,967	1,374,829
<u>53,575</u>	<u>40,750</u>	<u>30,784</u>	<u>113,967</u>	<u>1,486,579</u>

**CITY OF PANORA**  
Notes to the Financial Statements  
June 30, 2011

(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 City of Panora has no component units.

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 the following categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

## CITY OF PANORA

### Notes to the Financial Statements – Continued

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital 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.

Ambulance Fund – The Ambulance fund accounts for the operation and maintenance of the City's rescue unit.

#### 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.

## CITY OF PANORA

### Notes to the Financial Statements – Continued

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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.

#### Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by grantors, creditors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

#### Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works, capital projects and business type activity functions.

#### (2) Pooled Deposits and Investments

The City's deposits at June 30, 2011 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**CITY OF PANORA**  
Notes to the Financial Statements – Continued

(3) Long-Term Debt

A summary of the City's June 30, 2011 general obligation and revenue bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	General Obligation Bond		Water Revenue Bonds		Sewer Revenue Bond		Storm Water Revenue Note		Total
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2012	2.00 - 4.75%	\$ 105,000	58,612	103,000	14,465	12,000	6,060	16,712	10,408	326,257
2013	2.00 - 4.80	110,000	56,512	104,000	10,185	12,000	5,700	17,524	9,596	325,517
2014	2.25 - 4.90	115,000	54,312	110,000	5,805	13,000	5,340	18,374	8,746	330,577
2015	3.00 - 4.75	120,000	51,726	36,000	1,080	13,000	4,950	19,267	7,853	253,876
2016	3.00 - 4.75	125,000	48,126	0	0	13,000	4,560	20,202	6,918	217,806
		<u>575,000</u>	<u>269,288</u>	<u>353,000</u>	<u>31,535</u>	<u>63,000</u>	<u>26,610</u>	<u>92,079</u>	<u>43,521</u>	<u>1,454,033</u>
2017-2021	3.00 - 4.75	710,000	176,926	0	0	73,000	16,560	116,709	18,891	1,112,086
2022-2025	3.00 - 4.75	510,000	40,776	0	0	66,000	5,010	17,912	323	640,021
		<u>\$ 1,795,000</u>	<u>486,990</u>	<u>353,000</u>	<u>31,535</u>	<u>202,000</u>	<u>48,180</u>	<u>226,700</u>	<u>62,735</u>	<u>3,206,140</u>

Interest paid on General Obligation Bonds amounted to \$60,613, interest paid on Water Revenue Bonds amounted to \$18,415, interest paid on Sewer Revenue Bonds amounted to \$6,390, interest paid on Electric Revenue Bonds amounted to \$3,840 and interest paid on Storm Water Revenue Notes amounted to \$11,159. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2011 are as follows:

<u>Type of Indebtedness</u>	<u>Amount</u>
General Obligation Bonds	\$ 50,346
Water Revenue Bonds	75,000
Sewer Revenue Bonds	36,750
	<u>\$ 162,096</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 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 June 30,	<u>Water</u>		<u>Storm</u>
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>
2012	\$ 117,465	18,060	27,120
2013	114,185	17,700	27,120
2014	115,805	18,340	27,120
2015	37,080	17,950	27,120
2016	0	17,560	27,120
	<u>384,535</u>	<u>89,610</u>	<u>135,600</u>
2016-2021	0	89,560	135,600
2022-2025	0	71,010	18,235
	<u>\$ 384,535</u>	<u>250,180</u>	<u>289,435</u>

**CITY OF PANORA**

Notes to the Financial Statements – Continued

(4) Water Project Anticipation Loan

On November 12, 2009, the City of Panora entered into an agreement to borrow up to \$155,000 to finance improvements to the City's water plant. The loan agreement carries no interest rate and the loan is due on November 12, 2012 or at the time the City arranges for permanent financing of the project. During the year ended June 30, 2011, the City received proceeds of \$77,256 on the anticipation loan, which is the amount of the loan balance at June 30, 2011.

(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 4.50% of their annual salary and the City is required to contribute 6.95% 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, 2011, 2010, and 2009 were \$50,396, \$40,241, and \$33,750, 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, 2011 are as follows:

Balance at beginning of the year	\$ 1,895,000
New loans issued	0
Principal payments during the year	(100,000)
Balance at end of the year	<u>\$ 1,795,000</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, 2011 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$103,281
Vacation	24,838
Personal leave	36,905
	<u>\$165,024</u>

The liability has been computed based on rates of pay as of June 30, 2011.

(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.

**CITY OF PANORA**

Notes to the Financial Statements – Continued

(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) Budget Overexpenditure  
 Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2011, disbursements in the public works, capital projects, and business type activities programs exceeded the amounts budgeted.

(11) Interfund Transfers  
 The detail of interfund transfers during the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Electric Revenue	\$ 12,996
Road Use Tax	Garbage	19,000
Police Forfeiture	General	14,562
TIF - Low/Mod Housing	TIF - NW Terra Vista	7,000
Capital Projects	Local Option Sales Tax	87,650
	TIF - NE	65,144
	Water Revenue	22,945
	Ambulance Revenue	25,000
		<u>200,739</u>
Electric Revenue	Capital Projects	1,295
Ambulance Revenue	General Fund	131,592
		<u>\$ 387,184</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, 2011

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 512,449	0	512,449
TIF revenues	127,835	0	127,835
Other city taxes	71,809	0	71,809
Licenses and permits	3,908	0	3,908
Use of money and property	19,560	2,180	21,740
Intergovernmental	202,474	9,928	212,402
Charges for services	5,744	2,512,124	2,517,868
Special assessments	52,262	0	52,262
Miscellaneous	223,446	0	223,446
Other financing sources	0	52,946	52,946
<b>Total Receipts</b>	<b><u>1,219,487</u></b>	<b><u>2,577,178</u></b>	<b><u>3,796,665</u></b>
Disbursements:			
Public safety	254,085	0	254,085
Public works	152,265	0	152,265
Culture and recreation	103,754	0	103,754
Community and economic development	56,352	0	56,352
General government	63,440	0	63,440
Debt service	161,062	0	161,062
Capital projects	242,629	0	242,629
Business type activities	0	2,530,475	2,530,475
Other financing uses	52,946	0	52,946
<b>Total Disbursements</b>	<b><u>1,086,533</u></b>	<b><u>2,530,475</u></b>	<b><u>3,617,008</u></b>
Excess (Deficit) of Receipts over (under) Disbursements	132,954	46,703	179,657
Balances at Beginning of Year	777,908	1,439,876	2,217,784
<b>Balances at End of Year</b>	<b><u>\$ 910,862</u></b>	<b><u>1,486,579</u></b>	<b><u>2,397,441</u></b>

**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, 2011

<u>Budgeted Amounts</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
510,905	510,905	1,544
115,000	115,000	12,835
103,635	103,635	(31,826)
3,150	3,150	758
37,925	37,925	(16,185)
121,000	121,000	91,402
2,255,821	2,255,821	262,047
25,000	25,000	27,262
0	37,000	186,446
284,304	309,304	(256,358)
3,456,740	3,518,740	277,925
235,975	271,975	17,890
113,550	138,000	(14,265)
99,597	122,738	18,984
132,000	132,000	75,648
65,520	65,520	2,080
406,367	406,367	245,305
0	73,000	(169,629)
2,080,766	2,171,666	(358,809)
284,304	309,304	256,358
3,418,079	3,690,570	73,562
38,661	(171,830)	351,487
1,931,262	1,931,262	286,522
1,969,923	1,759,432	638,009

**CITY OF PANORA**  
Notes to Required Supplementary Information  
June 30, 2011

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 \$62,000 and budgeted disbursements by \$272,491. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded amounts budgeted in the public works, capital projects, 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, 2011

	<u>Veterans Auditorium</u>	<u>Police Forfeiture</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>
Receipts:				
Property tax	\$ 19,876	0	70,871	0
TIF revenues	0	0	0	0
Other city taxes	0	0	0	71,809
Intergovernmental	0	0	0	0
Charges for services	1,193	0	0	0
Miscellaneous	0	6,096	0	0
Total Receipts	21,069	6,096	70,871	71,809
Disbursements:				
Operating:				
Public safety	0	120	47,914	0
Public works	0	0	17,277	0
Culture and recreation	7,249	0	15,544	0
Community and economic development	0	0	0	15,050
General government	0	0	16,505	0
Total Disbursements	7,249	120	97,240	15,050
Excess (Deficit) of Receipts over (under) Disbursements	13,820	5,976	(26,369)	56,759
Operating transfers in (out)	0	14,562	0	(87,650)
Net Change in Cash Balances	13,820	20,538	(26,369)	(30,891)
Cash Balances at Beginning of Year	2,892	(18,738)	74,929	51,739
Cash Balances at End of Year	\$ 16,712	1,800	48,560	20,848
Cash Basis Fund Balances:				
Nonspendable - Permanent Fund	\$ 0	0	0	0
Restricted for:				
Urban renewal purposes	0	0	0	0
Other purposes	16,712	1,800	48,560	20,848
	\$ 16,712	1,800	48,560	20,848

**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, 2011

<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	90,747
17,284	0	66,765	22,974	20,812	0	0	127,835
0	0	0	0	0	0	0	71,809
0	0	0	0	0	0	1,974	1,974
0	0	0	0	0	0	0	1,193
0	0	0	0	0	44,378	14,203	64,677
<u>17,284</u>	<u>0</u>	<u>66,765</u>	<u>22,974</u>	<u>20,812</u>	<u>44,378</u>	<u>16,177</u>	<u>358,235</u>
0	0	0	0	0	0	0	48,034
0	0	0	0	0	0	0	17,277
0	0	0	0	0	0	11,410	34,203
0	2,542	0	6,889	0	31,871	0	56,352
0	0	0	0	0	0	0	16,505
<u>0</u>	<u>2,542</u>	<u>0</u>	<u>6,889</u>	<u>0</u>	<u>31,871</u>	<u>11,410</u>	<u>172,371</u>
17,284	(2,542)	66,765	16,085	20,812	12,507	4,767	185,864
<u>0</u>	<u>7,000</u>	<u>(65,144)</u>	<u>(7,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(138,232)</u>
17,284	4,458	1,621	9,085	20,812	12,507	4,767	47,632
80,009	91,527	0	55	(2,132)	4,812	19,933	305,026
<u>97,293</u>	<u>95,985</u>	<u>1,621</u>	<u>9,140</u>	<u>18,680</u>	<u>17,319</u>	<u>24,700</u>	<u>352,658</u>
0	0	0	0	0	0	24,700	24,700
97,293	95,985	1,621	9,140	18,680	17,319	0	240,038
0	0	0	0	0	0	0	87,920
<u>97,293</u>	<u>95,985</u>	<u>1,621</u>	<u>9,140</u>	<u>18,680</u>	<u>17,319</u>	<u>24,700</u>	<u>352,658</u>

**CITY OF PANORA**  
Schedule of Long-Term Debt and Interest  
June 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
General Obligation Bonds	January 12, 2010	2.00 - 4.00%	\$ 2,060,000
Revenue Bonds:			
Water	May 1, 2001	4.20 - 4.90	750,000
Water SRF	February 6, 2003	3.00	393,000
Water SRF Planning and Design	November 12, 2009	0.00	155,000
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, 2011

<u>Balance</u> <u>June 30, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Interest</u> <u>Paid</u>
\$ 1,895,000	0	100,000	1,795,000	60,613
280,000	0	65,000	215,000	13,315
170,000	0	32,000	138,000	5,100
0	77,256	0	77,256	0
<u>450,000</u>	<u>77,256</u>	<u>97,000</u>	<u>430,256</u>	<u>18,415</u>
213,000	0	11,000	202,000	6,390
80,000	0	80,000	0	3,840
242,661	0	15,961	226,700	11,159
<u>985,661</u>	<u>77,256</u>	<u>203,961</u>	<u>858,956</u>	<u>39,804</u>
<u>\$ 2,880,661</u>	<u>77,256</u>	<u>303,961</u>	<u>2,653,956</u>	<u>100,417</u>

**CITY OF PANORA**  
 Bond and Note Maturities  
 June 30, 2011

<u>General Obligation Bond</u>		
Year	<u>Issued 1-12-10</u>	
<u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
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>\$ 1,795,000</u>

<u>Water Revenue Bonds</u>					
Year	<u>Issued 5-1-01</u>		<u>SRF</u>		<u>Total</u>
	<u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	
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>\$ 215,000</u>		<u>138,000</u>	<u>353,000</u>

**CITY OF PANORA**  
 Bond and Note Maturities  
 June 30, 2011

<u>Sewer Revenue Bond</u>		<u>Storm Water Revenue Note</u>	
<u>SRF</u>		<u>Issued 4-3-07</u>	
<u>Interest</u>		<u>Interest</u>	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
3.00%	\$ 12,000	4.75%	\$ 16,712
3.00	12,000	4.75	17,524
3.00	13,000	4.75	18,374
3.00	13,000	4.75	19,267
3.00	13,000	4.75	20,202
3.00	14,000	4.75	21,183
3.00	14,000	4.75	22,211
3.00	15,000	4.75	23,289
3.00	15,000	4.75	24,420
3.00	15,000	4.75	25,606
3.00	16,000	4.75	17,912
3.00	16,000	--	--
3.00	17,000	--	--
3.00	17,000	--	--
	<u>\$ 202,000</u>		<u>\$ 226,700</u>

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

	<u>Years Ended June 30</u>			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Receipts:</b>				
Property tax	\$ 512,449	507,787	501,249	476,040
TIF revenues	127,835	150,037	114,485	130,558
Other city taxes	71,809	84,333	79,835	76,002
Licenses and permits	3,908	5,334	2,630	3,178
Use of money and property	19,560	32,181	38,866	45,219
Intergovernmental	202,474	160,822	240,596	227,321
Charges for services	5,744	254,280	190,304	150,418
Special assessments	52,262	37,859	61,415	32,736
Miscellaneous	223,446	152,531	104,787	47,810
<b>Total Receipts</b>	<b><u>\$ 1,219,487</u></b>	<b><u>1,385,164</u></b>	<b><u>1,334,167</u></b>	<b><u>1,189,282</u></b>
<b>Disbursements:</b>				
Public safety	\$ 254,085	458,661	484,837	372,386
Public works	152,265	138,520	175,342	188,907
Culture and recreation	103,754	102,013	134,204	186,068
Community and economic development	56,352	64,030	78,317	95,575
General government	63,440	53,801	39,079	71,433
Debt service	161,062	1,009,655	196,744	144,905
Capital projects	242,629	1,358,593	242,965	1,182,071
<b>Total Disbursements</b>	<b><u>\$ 1,033,587</u></b>	<b><u>3,185,273</u></b>	<b><u>1,351,488</u></b>	<b><u>2,241,345</u></b>

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

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
464,399	425,105	444,863	427,169	399,894	370,023
116,406	102,883	88,637	77,625	65,783	47,859
104,390	108,819	78,978	9,030	3,343	0
6,736	10,131	6,669	4,798	2,803	2,196
37,654	39,248	30,878	17,908	38,369	59,717
292,020	215,729	212,240	159,865	165,769	197,696
79,111	61,506	38,231	39,742	23,245	32,890
19,780	19,356	20,174	20,992	19,961	23,672
20,169	22,557	29,560	12,880	52,299	22,515
<u>1,140,665</u>	<u>1,005,334</u>	<u>950,230</u>	<u>770,009</u>	<u>771,466</u>	<u>756,568</u>
306,271	251,007	242,114	259,610	198,135	205,007
129,862	163,879	136,035	139,149	128,168	130,013
119,611	160,321	99,237	100,852	92,896	77,641
146,287	104,469	84,081	49,755	23,829	34,309
37,908	25,042	31,790	28,306	98,943	92,464
150,702	151,223	151,465	165,916	169,050	169,818
128,191	38,580	82,142	0	0	0
<u>1,018,832</u>	<u>894,521</u>	<u>826,864</u>	<u>743,588</u>	<u>711,021</u>	<u>709,252</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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated December 5, 2011. 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, 2011 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 11-III-A, 11-III-F and 11-III-H.

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 5, 2011

**CITY OF PANORA**  
Schedule of Findings  
Year Ended June 30, 2011

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, 2011

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

No matters were noted.

Significant Deficiency

11-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, 2011

Part III: Other Findings Related to Statutory Reporting

11-III-A Certified Budget

City expenditures during the year ended June 30, 2011 exceeded amounts budgeted therefore in the public works, capital projects 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.

11-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.

11-III-C Travel Expense

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

11-III-D Business Transactions

During the year ended June 30, 2011, the City made the following business transactions with City officials:

Baker Painting	Steve Baker	\$ 434
Joyce Calmer		1,150
Scott's Outdoor Supply	Scott Calmer, spouse of Joyce Calmer	1,609

Since the payments to Joyce Calmer and Scott Calmer are in excess of \$2,500, they are in violation of Chapter 362.5(11) of the Code of Iowa.

Response: The City's policy is to purchase goods and services from local businesses when possible.

Conclusion: Response accepted.

11-III-E Bond Coverage

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

**CITY OF PANORA**  
Schedule of Findings  
Year Ended June 30, 2011

11-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.

11-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.

11-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, 2011, 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 property tax revenue. It is anticipated that the maximum deposit amount is sufficient for the foreseeable future.

Conclusion: Response accepted.

11-III-I Passage of Ordinance

The minutes of City Council meetings indicated that an ordinance had been recorded as passed when it received the vote of two council members. Chapter 380.4 of the Code of Iowa requires the affirmative vote of a majority of council members to pass an ordinance.

Response: The ordinance will be brought back to the Council to receive the necessary votes for passage.

Conclusion: Response accepted.