

CITY OF PANORA

Panora, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2014

With Independent Auditor's Reports

CITY OF PANORA

Contents

	<u>Pages</u>
City Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-10
Cash Basis Statement of Activities and Net Position	11-12
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Governmental Funds	13-14
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds	15-16
Notes to the Financial Statements	17-23
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Cash Balances – Budget and Actual (Cash Basis) All Governmental Funds and Proprietary Funds	24-25
Notes to Other Information – Budgetary Reporting	26
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	27-28
Schedule of Long-Term Debt and Interest	29-30
Bond and Note Maturities	31-32
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	33-34
Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	35-36
Schedule of Findings	37-40

CITY OF PANORA

City Officials
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Prior to January 1, 2014</u>		
Pat Parker	Mayor	December 31, 2015
Steve Pote	Mayor Pro Tem	December 31, 2013
Andrew Carson	Council Member	December 31, 2015
Mike Moore	Council Member	December 31, 2013
Kim Smith	Council Member	December 31, 2015
Mark Vogel	Council Member	December 31, 2013
Lisa Grossman	Clerk/Administrator	Indefinite
Joyce Calmer	Treasurer	Indefinite
Jeffrey Bump	Attorney	Indefinite

Subsequent to December 31, 2013

Pat Parker	Mayor	December 31, 2015
Andrew Carson	Mayor Pro Tem	December 31, 2015
Shannon Barber	Council Member	December 31, 2017
Mike Moore	Council Member	December 31, 2017
Kim Smith	Council Member	December 31, 2015
Mary Smith	Council Member	December 31, 2017
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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents of this report.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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, 2014 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.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters

My audit was conducted 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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (none of which are presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included on pages 27 through 34 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 24 through 26 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or any other form of assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 5, 2015 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. The purpose of that report is to describe the scope of my testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Panora's internal control over financial reporting.

S/Stanley E. Siebke

Urbandale, Iowa
January 5, 2015

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 28%, or \$416,193, from fiscal 2013 to fiscal 2014. This was due to capital projects that were financed the previous fiscal year, a decrease of \$488,126. In addition, property tax revenues, other city taxes, special assessments, and use of money and property decreased \$29,097, \$9,530, \$3,127, and \$2,559 respectively. Other city taxes include the local option sales tax. TIF revenues increased by \$96,729 and miscellaneous receipts increased by \$26,376.
- Disbursements decreased 66% or \$3,474,093 in fiscal 2014 from fiscal 2013. This was again due to multiple capital projects completed in the previous fiscal year. Specifically, capital projects decreased \$3,469,417. In addition, there were decreases in public safety, culture and recreation, and community and economic development by \$6,912, \$4,662, and \$43,896, respectively. There were slight increases in public works, general government, and debt service of \$2,049, \$8,480, and \$40,265.
- The City's total cash basis net assets decreased 2.4%, or \$53,736, from June 30, 2013 to June 30, 2014. Of this amount, the assets of the governmental activities decreased \$45,528 while the assets of the business type activities decreased by \$8,208. The small decreases were the result of projects being completed in the previous fiscal year.

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.

- “Other Information” further explains and supports the financial statements with a comparison of the City’s budget for the year.
- “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, 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 seven Enterprise Funds to provide separate information for the water, sewer, electric, solid waste, landfill, 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 decreased \$45,528 from a year ago, from \$801,162 to \$755,634. 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>2014</u>	<u>2013</u>
Receipts:		
Property tax	\$ 540,426	569,523
TIF revenues	147,097	50,368
Other city taxes	82,329	91,859
Licenses and permits	2,345	3,693
Use of money and property	7,581	10,140
Intergovernmental	193,631	687,049
Charges for services	5,568	5,787
Special assessments	25,149	28,276
Miscellaneous	60,414	34,038
Total Receipts	<u>1,064,540</u>	<u>1,480,733</u>
Disbursements:		
Operating:		
Public safety	260,862	267,774
Public works	120,442	118,393
Culture and recreation	115,642	120,304
Community and economic development	28,970	72,866
General government	73,486	65,006
Debt service	419,000	378,735
Capital projects	753,431	4,222,848
Total Disbursements	<u>1,771,833</u>	<u>5,245,926</u>
Deficit of Receipts under Disbursements	(707,293)	(3,765,193)
Other Financing Sources:		
Proceeds of long-term debt	565,507	1,409,655
Transfers	<u>96,258</u>	<u>283,923</u>
Decrease in Cash Basis Net Assets	(45,528)	(2,071,615)
Cash Basis Net Assets at Beginning of Year	801,162	2,872,777
Cash Basis Net Assets at End of Year	<u>\$ 755,634</u>	<u>\$ 801,162</u>

The City's total receipts for governmental activities decreased by 28%, or \$416,193. The total cost of all programs and services decreased by \$3,474,093, or 66%.

The cost of all governmental activities this year was \$1,771,833 compared to \$5,245,926 last year. As shown in the Statement of Activities and Net Assets on pages 11-12, the amount taxpayers ultimately financed for these activities was \$1,516,813 because some of the cost was paid by those who directly benefited from the programs (\$25,275) or by other governments and organizations that subsidized certain programs with grants and contributions (\$229,745).

Change in Cash Basis Net Assets of Business Type Activities

	<u>Years Ended June 30.</u>	
	<u>2014</u>	<u>2013</u>
Operating Receipts:		
Charges for service:		
Water	\$ 464,328	530,717
Sewer	207,888	284,411
Electric	1,382,822	1,482,275
Garbage	53,336	50,197
Landfill	24,893	24,834
Ambulance	460,538	378,915
Storm sewer	77,557	72,446
Intergovernmental	15,640	10,215
Total Operating Receipts	2,687,002	2,834,010
Operating Disbursements:		
Business type activities:		
Water	411,729	331,784
Sewer	240,211	228,220
Electric	1,197,321	1,317,101
Garbage	44,296	41,309
Landfill	20,232	20,232
Ambulance	481,747	448,391
Storm sewer	9,680	34,905
Total Operating Disbursements	2,405,216	2,421,942
Excess of Operating Receipts over Operating Disbursements	281,786	412,068
Total Non-Operating Receipts (Disbursements)	(289,994)	(556,807)
Net Change in Cash Balances	(8,208)	(144,739)
Cash Basis Net Assets at Beginning of Year	1,404,583	1,549,322
Cash Basis Net Assets at End of Year	\$ 1,396,375	1,404,583

Total business type activities receipts for the fiscal year were \$2,687,002 compared to \$2,834,010 last year. This decrease was due primarily to the loss of a major business in Panora that was a high water and sewer user. The receipt of storm water receipts, proceeds of long-term debt and transfers from governmental funds remained steady from the previous fiscal year. Total disbursements for the fiscal year decreased by 3.5% to a total of \$2,599,468.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Panora completed the year, its governmental funds reported a combined fund balance of \$755,634, a decrease of \$45,528 from last year's total of \$801,162. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The Capital Projects Fund decreased from \$(42,182) to \$(124,956). The decrease was the result of the public works building project being started in this fiscal year.
- The major decreases were in property tax revenue and intergovernmental, decreases of \$29,097 and \$493,418. Other decreases were noted in other city taxes, licenses and permits, use of money and property, charges for services, and special assessments. The decreases were \$9,530, \$1,348, \$2,559, \$219, and \$3,127. The decrease were slightly offset by increases in TIF revenues and miscellaneous charges, of \$96,729 and \$26,376 respectively.
- The General Fund cash balance decreased \$10,597 from the prior year to \$399,310. One reason the General Fund decreased was the additional expense of training for a new police officer.
- The Road Use Tax Fund cash balance increased by \$11,724 to \$51,459 during the fiscal year. This increase was due to cost saving measures for future street improvements.
- The TIF – Central Fund increased by \$4,244 to \$5,411. \$112,000 of the receipts in this fund were transferred to the Debt Service Fund.
- The Debt Service Fund decreased by \$7,706 to \$81,486 due to debt being paid down. The revenue from assessments will be used to pay down the 2010 GO bond in the future.
- The Capital Project Fund decreased by \$82,774 due to expenditures being paid on the public works building prior to receipt of financing.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$80,590 to \$218,072. This was due in part to increased expenses during the water plant project and paying off debt that was not financed for the new plant upgrades.
- The Sewer Fund cash balance decreased by \$50,808 to \$228,681. This was due in part to large sewer projects being contracted during the fiscal year..
- The Electric Fund cash balance increased by \$139,704 to \$742,761 due to needed upgrades within the electric system which will be started in the next fiscal year.
- The Garbage Fund cash balance increased by \$9,040 to \$80,444 and the Landfill cash balance increased by \$4,661 to \$54,306. 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 by \$5,354 to \$157,198. This is due to increased storm water rates for planned storm water projects.
- The Ambulance Fund cash balance has decreased by \$35,569 to \$(85,087). This decrease is a result of changing billing companies and an initial delayed billing cycle. The department also has contracts for service with local towns in addition to charging for services. The department is currently exploring taxation as another source of revenue.

BUDGETARY HIGHLIGHTS

The City amended its budget for additional disbursements in certain City departments. The amendment was approved on May 27, 2014 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, 2014, the City had \$5,677,019 in bonds and other long-term debt, compared to \$5,549,312 last year, as shown below.

	<u>Outstanding Debt at Year End</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
General obligation bonds	\$ 3,249,189	3,525,000
Revenue bonds	2,427,830	2,024,312
	<u>\$ 5,677,019</u>	<u>5,549,312</u>

General obligation debt decreased as a result of payments on existing debt exceeding the amount of 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. Because \$1,784,189 of the City’s general obligation bonds are considered to be annual appropriation debt, the remaining general obligation debt of \$1,465,000 was below its constitutional debt limit of \$2,752,081.

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 2015 budget, tax rates and fees that will be charged for various City activities. One of these factors is the economy. The unemployment rate in Guthrie County of 4.0% is below the State’s unemployment rate of 4.5% and the National rate of 6.2%.

Inflation in the State during fiscal year 2014 was similar to the national level. The National CPI increase was 1.5% for the fiscal year 2014.

While property taxes are important to the City, they constitute approximately 14.4% of total program resources excluding other financing sources. TIF revenues comprised 3.9% of revenues. The largest revenue source, at nearly 72% 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. 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, 102 NW 2nd Street, Panora, Iowa.

CITY OF PANORA
Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2014

	<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	\$ 260,862	10,547	58,667	0
Public works	120,442	0	114,271	0
Culture and recreation	115,642	14,728	23,708	0
Community and economic development	28,970	0	6,050	0
General government	73,486	0	0	0
Debt service	419,000	0	0	0
Capital projects	753,431	0	0	27,049
Total Governmental Activities	<u>1,771,833</u>	<u>25,275</u>	<u>202,696</u>	<u>27,049</u>
Business type activities:				
Water	531,173	464,328	0	0
Sewer	258,996	207,888	300	0
Electric	1,197,321	1,382,822	216	0
Garbage	44,296	53,336	0	0
Landfill	20,232	24,893	0	0
Ambulance	481,747	460,538	15,640	0
Storm water	65,703	77,557	0	0
Total Business Type Activities	<u>2,599,468</u>	<u>2,671,362</u>	<u>16,156</u>	<u>0</u>
Total	<u>\$ 4,371,301</u>	<u>2,696,637</u>	<u>218,852</u>	<u>27,049</u>

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 Position

Cash Basis Net Position at Beginning of Year

Cash Basis Net Position at End of Year

Cash Basis Net Position:

Restricted:
Nonexpendable - Permanent Fund
Expendable:
Streets
Urban renewal purposes
Debt service
Other purposes
Unrestricted

Total Cash Basis Net Position

The accompanying notes are an integral part of these financial statements.

CITY OF PANORA

Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2014

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(191,648)	0	(191,648)
(6,171)	0	(6,171)
(77,206)	0	(77,206)
(22,920)	0	(22,920)
(73,486)	0	(73,486)
(419,000)	0	(419,000)
(726,382)	0	(726,382)
<u>(1,516,813)</u>	<u>0</u>	<u>(1,516,813)</u>
0	(66,845)	(66,845)
0	(50,808)	(50,808)
0	185,717	185,717
0	9,040	9,040
0	4,661	4,661
0	(5,569)	(5,569)
0	11,854	11,854
<u>0</u>	<u>88,050</u>	<u>88,050</u>
<u>(1,516,813)</u>	<u>88,050</u>	<u>(1,428,763)</u>
378,259	0	378,259
147,097	0	147,097
162,167	0	162,167
82,329	0	82,329
7,581	0	7,581
565,507	0	565,507
32,087	0	32,087
96,258	(96,258)	0
<u>1,471,285</u>	<u>(96,258)</u>	<u>1,375,027</u>
(45,528)	(8,208)	(53,736)
801,162	1,404,583	2,205,745
<u>\$ 755,634</u>	<u>1,396,375</u>	<u>2,152,009</u>
\$ 19,586	0	19,586
51,459	0	51,459
225,870	0	225,870
81,486	36,750	118,236
102,879	0	102,879
274,354	1,359,625	1,633,979
<u>\$ 755,634</u>	<u>1,396,375</u>	<u>2,152,009</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, 2014

	<u>General</u>	<u>Special Revenue</u>	
		<u>Road Use</u>	
		<u>Tax</u>	<u>TIF - Central</u>
Receipts:			
Property tax	\$ 270,999	0	0
TIF revenues	0	0	116,244
Other city taxes	0	0	0
Licenses and permits	2,345	0	0
Use of money and property	7,581	0	0
Intergovernmental	77,267	112,236	0
Charges for services	4,443	0	0
Special assessments	0	0	0
Miscellaneous	10,921	2,035	0
Total Receipts	<u>373,556</u>	<u>114,271</u>	<u>116,244</u>
Disbursements:			
Operating:			
Public safety	200,836	0	0
Public works	0	102,547	0
Culture and recreation	75,754	0	0
Community and economic development	0	0	0
General government	67,303	0	0
Debt service	0	0	0
Capital projects	0	0	0
Total Disbursements	<u>343,893</u>	<u>102,547</u>	<u>0</u>
Excess (Deficit) of Receipts over (under) Disbursements	<u>29,663</u>	<u>11,724</u>	<u>116,244</u>
Other Financing Sources (Uses)			
Proceeds of long-term debt	0	0	0
Transfers In (Out)	(40,260)	0	(112,000)
Total Other Financing Sources	<u>(40,260)</u>	<u>0</u>	<u>(112,000)</u>
Net Change in Cash Balances	(10,597)	11,724	4,244
Cash Balances at Beginning of Year	409,907	39,735	1,167
Cash Balances at End of Year	<u>\$ 399,310</u>	<u>51,459</u>	<u>5,411</u>
Cash Basis Fund Balances:			
Nonspendable - Permanent Fund	\$ 0	0	0
Restricted for:			
Urban renewal purposes	0	0	5,411
Debt service	0	0	0
Streets	0	51,459	0
Other purposes	0	0	0
Unassigned	399,310	0	0
Total Cash Basis Fund Balances	<u>\$ 399,310</u>	<u>51,459</u>	<u>5,411</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, 2014

<u>Debt Service</u>	<u>Capital Projects</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
162,167	0	107,260	540,426
0	0	30,853	147,097
0	0	82,329	82,329
0	0	0	2,345
0	0	0	7,581
0	1,900	2,228	193,631
0	0	1,125	5,568
0	25,149	0	25,149
0	18,900	28,558	60,414
<u>162,167</u>	<u>45,949</u>	<u>252,353</u>	<u>1,064,540</u>
0	0	60,026	260,862
0	0	17,895	120,442
0	0	39,888	115,642
0	0	28,970	28,970
0	0	6,183	73,486
419,000	0	0	419,000
0	753,431	0	753,431
<u>419,000</u>	<u>753,431</u>	<u>152,962</u>	<u>1,771,833</u>
<u>(256,833)</u>	<u>(707,482)</u>	<u>99,391</u>	<u>(707,293)</u>
0	565,507	0	565,507
249,127	59,201	(59,810)	96,258
<u>249,127</u>	<u>624,708</u>	<u>(59,810)</u>	<u>661,765</u>
(7,706)	(82,774)	39,581	(45,528)
89,192	(42,182)	303,343	801,162
<u>81,486</u>	<u>(124,956)</u>	<u>342,924</u>	<u>755,634</u>
0	0	19,586	19,586
0	0	220,459	225,870
81,486	0	0	81,486
0	0	0	51,459
0	0	102,879	102,879
0	(124,956)	0	274,354
<u>81,486</u>	<u>(124,956)</u>	<u>342,924</u>	<u>755,634</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, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Operating Receipts:			
Charges for services	\$ 460,435	207,888	1,356,839
Intergovernmental receipts	0	0	0
Miscellaneous	3,893	0	25,983
	<u>464,328</u>	<u>207,888</u>	<u>1,382,822</u>
Disbursements:			
Operating:			
Business type activities	411,729	240,211	1,197,321
	<u>411,729</u>	<u>240,211</u>	<u>1,197,321</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>52,599</u>	<u>(32,323)</u>	<u>185,501</u>
Non-Operating Receipts (Disbursements)			
Use of money and property - interest	0	300	216
Transfers	(13,745)	0	(46,013)
Debt service	(119,444)	(18,785)	0
	<u>(133,189)</u>	<u>(18,485)</u>	<u>(45,797)</u>
Net Change in Cash Balances	(80,590)	(50,808)	139,704
Cash Balances at Beginning of Year	298,662	279,489	603,057
Cash Balances at End of Year	<u>\$ 218,072</u>	<u>228,681</u>	<u>742,761</u>
Cash Basis Fund Balances:			
Restricted for debt service	\$ 0	36,750	0
Unrestricted	218,072	191,931	742,761
	<u>\$ 218,072</u>	<u>228,681</u>	<u>742,761</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, 2014

Enterprise Funds

<u>Garbage</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Storm Water</u>	<u>Total</u>
53,336	24,893	415,565	77,557	2,596,513
0	0	15,640	0	15,640
0	0	44,973	0	74,849
<u>53,336</u>	<u>24,893</u>	<u>476,178</u>	<u>77,557</u>	<u>2,687,002</u>
44,296	20,232	481,747	9,680	2,405,216
<u>44,296</u>	<u>20,232</u>	<u>481,747</u>	<u>9,680</u>	<u>2,405,216</u>
9,040	4,661	(5,569)	67,877	281,786
0	0	0	0	516
0	0	(30,000)	(6,500)	(96,258)
0	0	0	(56,023)	(194,252)
<u>0</u>	<u>0</u>	<u>(30,000)</u>	<u>(62,523)</u>	<u>(289,994)</u>
9,040	4,661	(35,569)	5,354	(8,208)
71,404	49,645	(49,518)	151,844	1,404,583
<u>80,444</u>	<u>54,306</u>	<u>(85,087)</u>	<u>157,198</u>	<u>1,396,375</u>
0	0	0	0	36,750
80,444	54,306	(85,087)	157,198	1,359,625
<u>80,444</u>	<u>54,306</u>	<u>(85,087)</u>	<u>157,198</u>	<u>1,396,375</u>

CITY OF PANORA
Notes to the Financial Statements
June 30, 2014

(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. The City provides numerous services to its citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, electric, garbage collection, recycling and storm water utilities for its citizens as well as providing ambulance service.

Reporting Entity

For financial reporting purposes, the City of Panora has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

The 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 Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

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

Expendable restricted net position results when constraints placed on the use of net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

CITY OF PANORA

Notes to the Financial Statements – Continued

The Cash Basis Statement of Activities and Net Position 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 improvement costs that are not paid through other funds.

Special Revenue Funds

Road Use Tax – The Road Use Tax Fund is used to account the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

TIF – Central – The TIF – Central Fund is used to account for urban renewal projects in the central TIF district financed by tax increment financing.

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.

CITY OF PANORA

Notes to the Financial Statements – Continued

Measurement Focus and Basis of Accounting

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

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 Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works and debt service functions.

(2) Pooled Deposits and Investments

The City's deposits at June 30, 2014 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, 2014 general obligation and revenue bond indebtedness is as follows:

Year Ending June 30.	Interest Rates	General Obligation		Water Revenue		Sewer Revenue		Storm Water		Total
		<u>Bonds</u>		<u>Bonds</u>		<u>Bond</u>		<u>Revenue Note</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	1.75 - 4.00%	\$ 308,800	107,729	86,000	29,570	13,000	4,950	42,400	21,279	613,728
2016	1.75 - 4.00	299,800	99,456	75,000	27,615	13,000	4,560	52,420	21,303	593,154
2017	1.75 - 4.00	305,700	91,898	75,000	26,303	14,000	4,170	54,550	19,167	590,788
2018	1.75 - 4.00	311,800	83,845	80,000	24,990	14,000	3,750	56,780	16,945	592,110
2019	1.75 - 4.00	322,800	75,608	78,000	23,590	15,000	3,330	59,090	14,632	592,050
		<u>1,548,900</u>	<u>458,536</u>	<u>394,000</u>	<u>132,068</u>	<u>69,000</u>	<u>20,760</u>	<u>265,240</u>	<u>93,326</u>	<u>2,981,830</u>
2020-2024	1.75 - 4.00	1,573,900	234,912	413,000	96,973	79,000	9,810	333,590	35,023	2,776,208
2025-2029	1.75 - 3.60	400,000	27,170	457,000	59,290	17,000	510	0	0	960,970
2030-2033	1.75	0	0	400,000	17,675	0	0	0	0	417,675
Less amounts not yet received			(273,611)							
		<u>\$ 3,249,189</u>	<u>720,618</u>	<u>1,664,000</u>	<u>306,006</u>	<u>165,000</u>	<u>31,080</u>	<u>598,830</u>	<u>128,349</u>	<u>7,136,683</u>

Interest paid on General Obligation Bonds amounted to \$108,000, interest paid on Water Revenue Bonds amounted to \$32,202, interest paid on Sewer Revenue Bonds amounted to \$5,340, and interest paid on Storm Water Revenue Notes amounted to \$26,223. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2014 are as follows:

<u>Type of Indebtedness</u>	<u>Amount</u>
General Obligation Bonds	\$ 81,486
Sewer Revenue Bonds	<u>36,750</u>
	<u>\$ 118,236</u>

CITY OF PANORA

Notes to the Financial Statements – Continued

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 <u>June 30.</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
2015	\$ 115,570	17,950	63,679
2016	102,615	17,560	73,723
2017	101,303	18,170	73,717
2018	104,990	17,750	73,725
2019	101,590	18,330	73,722
	<hr/>	<hr/>	<hr/>
	526,068	89,760	358,566
2020-2024	509,973	88,810	368,613
2025-2029	516,290	17,510	0
2030-2033	417,675	0	0
	<hr/>	<hr/>	<hr/>
	<u>\$ 1,970,006</u>	<u>196,080</u>	<u>727,179</u>

(4) Retirement System – IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual salary and the City is required to contribute 8.93% 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, 2014, 2013, and 2012 were \$74,512, \$70,477, and \$60,516, respectively, equal to the required contributions for each year.

(5) General Long-Term Debt Account Group

Changes in the general long-term debt account group for the year ended June 30, 2014 are as follows:

Balance at beginning of the year	\$ 3,525,000
New loans issued	34,189
Principal payments during the year	<u>(310,000)</u>
Balance at end of the year	<u>\$ 3,249,189</u>

CITY OF PANORA

Notes to the Financial Statements – Continued

(6) Compensated Absences

City employees accumulate vacation, sick leave and personal leave hours for subsequent use or vacation may be paid upon termination, retirement or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2014 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$143,238
Vacation	34,901
Personal leave	4,904
	<u>\$183,043</u>

The liability has been computed based on rates of pay as of June 30, 2014.

(7) Risk Management

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

(8) Property Tax Calendar

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

(9) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2014, disbursements in the public works and debt service programs exceeded the amounts budgeted.

(10) Commitments

At June 30, 2014, the City had commitments on open construction contracts totaling approximately \$327,000. Subsequent to June 30, 2014, the City authorized borrowing \$177,000 for the purchase of an ambulance.

(11) Deficit Fund Balance

The Capital Projects Fund had a deficit fund balance of \$124,956 at June 30, 2014 as a result of disbursing funds prior to the receipt of financing. The deficit will be eliminated when the financing is received.

CITY OF PANORA
Notes to the Financial Statements – Continued

(12) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
TIF - Low/Mod Housing	TIF - NW Terra Vista	\$ 10,908
Debt Service	General	40,260
	Local Option Sales Tax	20,414
	TIF - NE	440
	TIF - Central	112,000
	Electric Revenue	46,013
	Ambulance Revenue	30,000
		<u>249,127</u>
Capital Projects	Local Option Sales Tax	38,956
	Water Revenue	13,745
	Storm Water Revenue	6,500
		<u>59,201</u>
		<u>\$ 319,236</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, 2014

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 540,426	0	540,426
TIF revenues	147,097	0	147,097
Other city taxes	82,329	0	82,329
Licenses and permits	2,345	0	2,345
Use of money and property	7,581	516	8,097
Intergovernmental	193,631	15,640	209,271
Charges for services	5,568	2,671,362	2,676,930
Special assessments	25,149	0	25,149
Miscellaneous	60,414	0	60,414
Other financing sources	661,765	0	661,765
	<u>1,726,305</u>	<u>2,687,518</u>	<u>4,413,823</u>
Disbursements:			
Public safety	260,862	0	260,862
Public works	120,442	0	120,442
Culture and recreation	115,642	0	115,642
Community and economic development	28,970	0	28,970
General government	73,486	0	73,486
Debt service	419,000	0	419,000
Capital projects	753,431	0	753,431
Business type activities	0	2,599,468	2,599,468
Other financing uses	0	96,258	96,258
	<u>1,771,833</u>	<u>2,695,726</u>	<u>4,467,559</u>
Excess (Deficit) of Receipts over (under) Disbursements	(45,528)	(8,208)	(53,736)
Balances at Beginning of Year	801,162	1,404,583	2,205,745
Balances at End of Year	<u>\$ 755,634</u>	<u>1,396,375</u>	<u>2,152,009</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, 2014

<u>Budgeted Amounts</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
562,742	562,742	(22,316)
146,400	146,400	697
95,711	95,711	(13,382)
2,650	2,650	(305)
18,425	29,425	(21,328)
201,656	450,575	(241,304)
2,718,800	2,773,800	(96,870)
20,000	22,000	3,149
25,000	62,500	(2,086)
547,418	1,202,308	(540,543)
4,338,802	5,348,111	(934,288)
289,408	304,408	43,546
120,065	120,065	(377)
133,300	144,300	28,658
49,910	49,910	20,940
83,257	89,257	15,771
418,900	418,900	(100)
0	1,057,830	304,399
2,572,555	2,675,555	76,087
547,418	569,418	473,160
4,214,813	5,429,643	962,084
123,989	(81,532)	27,796
2,311,925	2,205,745	0
2,435,914	2,124,213	27,796

CITY OF PANORA

Notes to Other Information – Budgetary Reporting
June 30, 2014

The budgetary comparison is presented 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 \$1,009,309 and budgeted disbursements by \$1,214,830. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded amounts budgeted in the public works 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, 2014

	Veterans <u>Auditorium</u>	Police <u>Forfeiture</u>	Employee <u>Benefits</u>	<u>Special R</u> Local Option <u>Sales Tax</u>
Receipts:				
Property tax	\$ 18,962	0	88,298	0
TIF revenues	0	0	0	0
Other city taxes	0	0	0	82,329
Intergovernmental	0	0	0	0
Charges for services	1,125	0	0	0
Miscellaneous	8,000	10,522	1,106	0
Total Receipts	<u>28,087</u>	<u>10,522</u>	<u>89,404</u>	<u>82,329</u>
Disbursements:				
Operating:				
Public safety	0	10,060	49,966	0
Public works	0	0	17,895	0
Culture and recreation	13,714	0	21,128	0
Community and economic development	0	0	0	4,635
General government	0	0	6,183	0
Total Disbursements	<u>13,714</u>	<u>10,060</u>	<u>95,172</u>	<u>4,635</u>
Excess (Deficit) of Receipts over (under)				
Disbursements	14,373	462	(5,768)	77,694
Operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(59,370)</u>
Net Change in Cash Balances	14,373	462	(5,768)	18,324
Cash Balances at Beginning of Year	32,461	1,513	19,159	22,355
Cash Balances at End of Year	<u>\$ 46,834</u>	<u>1,975</u>	<u>13,391</u>	<u>40,679</u>
Cash Basis Fund Balances:				
Nonspendable - Permanent Fund	\$ 0	0	0	0
Restricted for:				
Urban renewal purposes	0	0	0	0
Other purposes	46,834	1,975	13,391	40,679
	<u>\$ 46,834</u>	<u>1,975</u>	<u>13,391</u>	<u>40,679</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, 2014

<u>Revenue</u>				<u>Permanent</u>	
TIF - Low/Mod Housing	TIF - NE	TIF - NW Terra Vista	Economic Development	Trust and Agency	Total
0	0	0	0	0	107,260
0	359	30,494	0	0	30,853
0	0	0	0	0	82,329
0	0	0	0	2,228	2,228
0	0	0	0	0	1,125
0	0	0	6,050	2,880	28,558
<u>0</u>	<u>359</u>	<u>30,494</u>	<u>6,050</u>	<u>5,108</u>	<u>252,353</u>
0	0	0	0	0	60,026
0	0	0	0	0	17,895
0	0	0	0	5,046	39,888
419	0	16,849	7,067	0	28,970
0	0	0	0	0	6,183
<u>419</u>	<u>0</u>	<u>16,849</u>	<u>7,067</u>	<u>5,046</u>	<u>152,962</u>
(419)	359	13,645	(1,017)	62	99,391
<u>10,908</u>	<u>(440)</u>	<u>(10,908)</u>	<u>0</u>	<u>0</u>	<u>(59,810)</u>
10,489	(81)	2,737	(1,017)	62	39,581
202,433	104	0	5,794	19,524	303,343
<u>212,922</u>	<u>23</u>	<u>2,737</u>	<u>4,777</u>	<u>19,586</u>	<u>342,924</u>
0	0	0	0	19,586	19,586
212,922	23	2,737	4,777	0	220,459
0	0	0	0	0	102,879
<u>212,922</u>	<u>23</u>	<u>2,737</u>	<u>4,777</u>	<u>19,586</u>	<u>342,924</u>

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2014

<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
Annual Appropriation Bond	June 7, 2012	2.25 - 3.60	2,100,000
Annual Appropriation Note	April 28, 2014	2.00	307,800
Total General Obligation Bonds and Notes			
Revenue Bonds:			
Water SRF	February 6, 2003	3.00	393,000
2009 SRF Construction	October 19, 2012	1.75	1,678,000
Sewer SRF	May 23, 2005	3.00	265,000
Storm Water Panora State Bank	May 23, 2013	4.00	628,630
Total Revenue Bonds			
Total			

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2014

<u>Balance</u> <u>June 30, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Interest</u> <u>Paid</u>
\$ 1,580,000	0	115,000	1,465,000	54,313
1,945,000	0	195,000	1,750,000	53,687
0	34,189	0	34,189	0
<u>3,525,000</u>	<u>34,189</u>	<u>310,000</u>	<u>3,249,189</u>	<u>108,000</u>
71,000	0	35,000	36,000	2,130
1,507,411	170,589	50,000	1,628,000	30,072
<u>1,578,411</u>	<u>170,589</u>	<u>85,000</u>	<u>1,664,000</u>	<u>32,202</u>
<u>178,000</u>	<u>0</u>	<u>13,000</u>	<u>165,000</u>	<u>5,340</u>
<u>267,901</u>	<u>360,729</u>	<u>29,800</u>	<u>598,830</u>	<u>26,223</u>
<u>2,024,312</u>	<u>531,318</u>	<u>127,800</u>	<u>2,427,830</u>	<u>63,765</u>
<u>\$ 5,549,312</u>	<u>565,507</u>	<u>437,800</u>	<u>5,677,019</u>	<u>171,765</u>

CITY OF PANORA
Bond and Note Maturities
June 30, 2014

Year Ending June 30,	<u>General Obligation Bonds</u>					
	<u>Issued 1-12-10</u>		<u>Annual Appropriation Bond</u>		<u>Annual Appropriation Bond</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2015	3.000%	\$ 120,000	2.25	140,000	2.00	48,800
2016	3.000	125,000	2.25	125,000	2.00	49,800
2017	3.250	130,000	2.25	125,000	2.00	50,700
2018	3.250	135,000	2.25	125,000	2.00	51,800
2019	3.375	140,000	2.25	130,000	2.00	52,800
2020	3.625	150,000	2.50	130,000	2.00	53,900
2021	3.750	155,000	2.75	140,000	--	--
2022	3.750	160,000	3.00	140,000	--	--
2023	3.875	170,000	3.15	145,000	--	--
2024	4.000	180,000	3.30	150,000	--	--
2025	--	--	3.40	155,000	--	--
2026	--	--	3.50	120,000	--	--
2027	--	--	3.60	125,000	--	--
		\$ 1,465,000		1,750,000		307,800

Year Ending June 30,	<u>Water Revenue Bonds</u>				
	<u>2003 SRF</u>		<u>2009 SRF</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2015	3.00%	\$ 36,000	1.75	50,000	86,000
2016	--	--	1.75	75,000	75,000
2017	--	--	1.75	75,000	75,000
2018	--	--	1.75	80,000	80,000
2019	--	--	1.75	78,000	78,000
2020	--	--	1.75	79,000	79,000
2021	--	--	1.75	81,000	81,000
2022	--	--	1.75	83,000	83,000
2023	--	--	1.75	84,000	84,000
2024	--	--	1.75	86,000	86,000
2025	--	--	1.75	88,000	88,000
2026	--	--	1.75	90,000	90,000
2027	--	--	1.75	91,000	91,000
2028	--	--	1.75	93,000	93,000
2029	--	--	1.75	95,000	95,000
2030	--	--	1.75	97,000	97,000
2031	--	--	1.75	99,000	99,000
2032	--	--	1.75	101,000	101,000
2033	--	--	1.75	103,000	103,000
		\$ 36,000		1,628,000	1,664,000

CITY OF PANORA
 Bond and Note Maturities
 June 30, 2014

<u>Total</u>
308,800
299,800
305,700
311,800
322,800
333,900
295,000
300,000
315,000
330,000
155,000
120,000
125,000
<u>3,522,800</u>

<u>Sewer Revenue Bond</u>		<u>Storm Water Revenue Note</u>	
<u>SRF</u>		<u>Issued 5-23-13</u>	
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
3.00%	\$ 13,000	4.00%	\$ 42,400
3.00	13,000	4.00	52,420
3.00	14,000	4.00	54,550
3.00	14,000	4.00	56,780
3.00	15,000	4.00	59,090
3.00	15,000	4.00	61,500
3.00	15,000	4.00	64,000
3.00	16,000	4.00	66,610
3.00	16,000	4.00	69,330
3.00	17,000	4.00	72,150
3.00	17,000	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
	<u>\$ 165,000</u>		<u>\$ 598,830</u>

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

	2014	Years Ended June 30		2011
		2013	2012	
Receipts:				
Property tax	\$ 540,426	569,523	542,485	512,449
TIF revenues	147,097	50,368	52,379	127,835
Other city taxes	82,329	91,859	87,676	71,809
Licenses and permits	2,345	3,693	3,241	3,908
Use of money and property	7,581	10,140	14,125	19,560
Intergovernmental	193,631	687,049	218,356	202,474
Charges for services	5,568	5,787	5,054	5,744
Special assessments	25,149	28,276	21,389	52,262
Miscellaneous	60,414	34,038	59,609	223,446
Total Receipts	<u>\$ 1,064,540</u>	<u>1,480,733</u>	<u>1,004,314</u>	<u>1,219,487</u>
Disbursements:				
Public safety	\$ 260,862	267,774	224,158	254,085
Public works	120,442	118,393	114,511	152,265
Culture and recreation	115,642	120,304	103,232	103,754
Community and economic development	28,970	72,866	56,162	56,352
General government	73,486	65,006	67,518	63,440
Debt service	419,000	378,735	164,112	161,062
Capital projects	753,431	4,222,848	494,386	242,629
Total Disbursements	<u>\$ 1,771,833</u>	<u>5,245,926</u>	<u>1,224,079</u>	<u>1,033,587</u>

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
507,787	501,249	476,040	464,399	425,105	444,863
150,037	114,485	130,558	116,406	102,883	88,637
84,333	79,835	76,002	104,390	108,819	78,978
5,334	2,630	3,178	6,736	10,131	6,669
32,181	38,866	45,219	37,654	39,248	30,878
160,822	240,596	227,321	292,020	215,729	212,240
254,280	190,304	150,418	79,111	61,506	38,231
37,859	61,415	32,736	19,780	19,356	20,174
152,531	104,787	47,810	20,169	22,557	29,560
<u>1,385,164</u>	<u>1,334,167</u>	<u>1,189,282</u>	<u>1,140,665</u>	<u>1,005,334</u>	<u>950,230</u>
458,661	484,837	372,386	306,271	251,007	242,114
138,520	175,342	188,907	129,862	163,879	136,035
102,013	134,204	186,068	119,611	160,321	99,237
64,030	78,317	95,575	146,287	104,469	84,081
53,801	39,079	71,433	37,908	25,042	31,790
1,009,655	196,744	144,905	150,702	151,223	151,465
1,358,593	242,965	1,182,071	128,191	38,580	82,142
<u>3,185,273</u>	<u>1,351,488</u>	<u>2,241,345</u>	<u>1,018,832</u>	<u>894,521</u>	<u>826,864</u>

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

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

I have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Panora, Iowa, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated January 5, 2015. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Panora's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying 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 of Panora's operations for the year ended June 30, 2014 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 14-III-A and 14-III-F.

The City of Panora's Responses to Findings

The City of Panora's responses to findings identified in my audit are described in the accompanying Schedule of Findings. The City of Panora's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

S/Stanley E. Siebke

Urbandale, Iowa
January 5, 2015

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) An unmodified 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, 2014

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

No matters were noted.

Significant Deficiency

14-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, 2014

Part III: Other Findings Related to Statutory Reporting

14-III-A Certified Budget

City expenditures during the year ended June 30, 2014 exceeded amounts budgeted therefore in the public works 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.

14-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.

14-III-C Travel Expense

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

14-III-D Business Transactions

During the year ended June 30, 2014, the City made the following business transactions with City officials:

Scott's Outdoor Supply	Scott Calmer, spouse of Joyce Calmer	\$ 539
------------------------	---	--------

Since these purchases do not exceed \$2,500, they do not violate Chapter 362.5(11) of the Code of Iowa.

14-III-E Bond Coverage

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

14-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.

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2014

14-III-G Water, Sewer, 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.

14-III-H Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

14-III-I Deficit Fund Balance

At June 30, 2014, the City had a deficit fund balance in the Capital Projects Fund of \$124,956 as a result of incurring expenditures prior to the receipt of financing. The City should work to eliminate the deficit.

Response: The deficit will be eliminated when the full proceeds from the project financing are received.

Conclusion: Response accepted.

14-III-J Use of City Credit Cards

During the audit, it was noted that an employee had incurred \$1,031 of personal expenses on a City credit card. Although the employee had paid these credit card charges, personal use of City credit cards is a violation of the City's credit card policy.

Response: The employee has been notified that future use of City credit cards for personal expenses will not be tolerated.

Conclusion: Response accepted.