



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

November 2, 2017

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Lake Panorama Rural Improvement Zone.

The Rural Improvement Zone's receipts totaled \$2,248,213 for the year ended June 30, 2017. The receipts included tax increment financing receipts of \$1,813,965, stand-by property tax of \$2,373, Lake Panorama Association security deposit of \$400,000 and other receipts of \$31,875.

Disbursements for the year ended June 30, 2017 totaled \$2,241,008, and included \$457,537 for dredging, \$607,870 for debt service and \$526,667 for property and equipment.

A copy of the audit report is available for review in the Lake Panorama Rural Improvement Zone office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1715-0300-B00F>.

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**LAKE PANORAMA RURAL IMPROVEMENT ZONE**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2017**

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**Lake Panorama Rural Improvement Zone**

**Board of Trustees**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Hemphill	President	January 2018
Corey Welberg	Clerk	January 2020
Dale Grotjohn	Treasurer	January 2019
Bill Dahl	Trustee	January 2018
JoAnn Johnson	Trustee	January 2020

**Lake Panorama Rural Improvement Zone**



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Independent Auditor's Report

To the Trustees of the Lake Panorama Rural Improvement Zone:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lake Panorama Rural Improvement Zone, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the Rural Improvement Zone's basic financial statements listed in the table of contents.

Management's 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 statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Rural Improvement Zone'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 Rural Improvement Zone's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the governmental activities and each major fund of the Lake Panorama Rural Improvement Zone as of June 30, 2017, and the respective changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, the 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. Our opinions are not modified with respect to this matter.

### Emphasis of a Matter

As discussed in Note 6 to the financial statements, the Rural Improvement Zone elected to change from the accrual basis of accounting to the cash basis of accounting for the fiscal year ended June 30, 2017. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Other Information*

The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 10 and 19 through 20, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2017 on our consideration of the Lake Panorama Rural Improvement Zone's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of the effectiveness of internal control over financial reporting and compliance and the results of that 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 Lake Panorama Rural Improvement Zone's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

October 26, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Lake Panorama Improvement Zone provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Lake Panorama Rural Improvement Zone is for the year ended June 30, 2017. We encourage readers to consider this information in conjunction with the Rural Improvement Zone's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- The Rural Improvement Zone's receipts decreased 14.1%, or approximately \$370,000, from fiscal year 2016 to fiscal 2017. The Rural Improvement Zone's receipts were \$2,248,213, including tax increment financing receipts of \$1,813,965, stand-by property tax of \$2,373, Lake Panorama Association security deposit of \$400,000 and \$31,875 of other receipts.
- The Rural Improvement Zone's disbursements decreased 7.5%, or approximately \$181,000. The Rural Improvement Zone's disbursements were \$2,241,008, including \$457,537 for dredging, \$607,870 for debt service and \$526,667 for property and equipment.
- The Rural Improvement Zone's cash basis net position increased 0.4%, or approximately \$7,000, from June 30, 2016 to June 30, 2017.
- During fiscal year 2017, the Rural Improvement Zone elected to change from the accrual basis of accounting to the cash basis of accounting. Fiscal year 2016 balances have been restated unless otherwise noted.

### **USING THIS ANNUAL REPORT**

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

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Rural Improvement Zone's financial activities.

The Entity-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the Rural Improvement Zone as a whole and presents an overall view of the Rural Improvement Zone's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. The fund financial statements report the Rural Improvement Zone's operations in more detail than the entity-wide financial statements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

Other Information further explains and supports the financial statements with a comparison of the Rural Improvement Zone's budget for the year.

## **BASIS OF ACCOUNTING**

As noted in the financial highlights above, the Rural Improvement Zone elected to report on the cash basis of accounting for fiscal year 2017. The Rural Improvement Zone maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Rural Improvement Zone 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, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE RURAL IMPROVEMENT ZONE'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the Rural Improvement Zone's finances is, "Is the Rural Improvement Zone as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the Rural Improvement Zone's net position. Over time, increases or decreases in the Rural Improvement Zone's net position may serve as a useful indicator of whether the financial position of the Rural Improvement Zone is improving or deteriorating.

### *Fund Financial Statement*

Governmental funds account for the Rural Improvement Zone'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 and 2) the Debt Service Fund. The governmental fund financial statement provides a detailed, short-term view of the Rural Improvement Zone'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 Rural Improvement Zone's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## ENTITY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The Rural Improvement Zone's cash balance increased from a year ago, increasing from \$1,998,082 to \$2,005,287. The analysis that follows focuses on the changes in the cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30	
	2017	2016 (Restated)
Receipts:		
General receipts:		
Tax increment financing	\$ 1,813,965	1,719,116
Stand-by property tax	2,373	512,989
Rental income	28,700	21,051
Unrestricted interest on investments	3,175	1,618
Other	-	6,668
Lake Panorama Association security deposit	400,000	357,000
Total receipts	<u>2,248,213</u>	<u>2,618,442</u>
Disbursements:		
Maintenance and improvements:		
Dredging	457,537	472,449
Repairs and maintenance	26,718	2,175
Consulting and engineering fees	166,655	134,305
Insurance expense	3,450	3,450
Administration	1,185	1,105
Professional fees	27,594	27,802
Land acquisition	66,332	500
Property and equipment	526,667	836,477
Other	-	3,143
Lake Panorama Association security deposit	357,000	330,000
Debt service:		
Principal on long-term debt	586,100	581,230
Interest on long-term debt	21,770	29,012
Total disbursements	<u>2,241,008</u>	<u>2,421,648</u>
Change in cash basis net position	7,205	196,794
Cash basis net position beginning of year, as restated	<u>1,998,082</u>	<u>1,801,288</u>
Cash basis net position end of year	<u>\$ 2,005,287</u>	<u>1,998,082</u>

Receipts for governmental activities decreased approximately \$370,000, due to a decrease in stand-by property tax of \$510,616, an increase in tax increment financing receipts of approximately \$95,000 and an increase of \$43,000 in the security deposit received from Lake Panorama Association. Disbursements for governmental activities decreased approximately \$181,000 due to a decrease in property and equipment disbursements of approximately \$310,000 and an increase in land acquisition of approximately \$66,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the Lake Panorama Rural Improvement Zone completed the year, its governmental funds reported a combined fund balance of \$2,005,287 an increase of approximately \$7,000 above last year's restated total of \$1,998,082. The General Fund balance increased approximately \$15,000 from the prior year to \$2,005,287, while the Debt Service Fund balance decreased \$7,954 to a balance of \$0. The increase in the General Fund was due to the following: receipts increased approximately \$141,000 due to an increase in tax increment financing receipts of approximately \$95,000 over the prior year as well as an increase in the security deposit received from Lake Panorama Association of approximately \$43,000. The decrease in the Debt Service fund was due to the Rural Improvement Zone no longer levying for stand-by property tax to use towards the payment of the Rural Improvement Zone's long-term debt.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Rural Improvement Zone did not amend its budget.

The Rural Improvement Zone did not exceed its budget for the year.

## **DEBT ADMINISTRATION**

At June 30, 2017, the Rural Improvement Zone had \$595,600 of long-term debt outstanding, compared to \$1,181,700 at June 30, 2016.

The Constitution of the State of Iowa limits the amount of general obligation debt which can be issued to 5% of the assessed value of all taxable property within the Rural Improvement Zone. The Rural Improvement Zone's outstanding debt of \$595,600 is significantly below its constitutional debt limit of approximately \$14.7 million. Additional information about the Rural Improvement Zone's long-term debt is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Lake Panorama Rural Improvement Zone's elected officials considered many factors when setting the fiscal year 2018 budget. Budgeted disbursements are expected to increase approximately \$1,522,000 over the fiscal year 2017 actual disbursements due to increases expected for dredging, erosion control and land acquisition. The total ending fund balance is expected to be approximately \$629,000 at June 30, 2018.

## **CONTACTING THE RURAL IMPROVEMENT ZONE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Rural Improvement Zone's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lake Panorama Rural Improvement Zone, 5006 Panorama Drive, Panora, IA 50216.

## **Basic Financial Statements**

**Exhibit A**

Lake Panorama Rural Improvement Zone  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2017

	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position Governmental Activities
	Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>	Disbursements		
<b>Governmental activities:</b>			
Maintenance and improvements:			
Dredging	\$ 457,537	-	(457,537)
Repairs and maintenance	26,718	-	(26,718)
Consulting and engineering fees	166,655	-	(166,655)
Insurance	3,450	-	(3,450)
Administration	1,185	-	(1,185)
Professional fees	27,594	-	(27,594)
Land acquisition	66,332	-	(66,332)
Property and equipment	526,667	-	(526,667)
Lake Panorama Association security deposit	357,000	-	(357,000)
Debt service	607,870	-	(607,870)
Total	<u>\$ 2,241,008</u>	-	<u>(2,241,008)</u>
<b>General Receipts:</b>			
Property tax levied for:			
Tax increment financing			1,813,965
Stand-by property tax			2,373
Rental income			28,700
Unrestricted interest on investments			3,175
Lake Panorama Association security deposit			<u>400,000</u>
Total general receipts			<u>2,248,213</u>
Change in cash basis net position			7,205
Cash basis net position beginning of year, as restated			<u>1,998,082</u>
Cash basis net position end of year			<u>\$ 2,005,287</u>
<b>Cash Basis Net Position</b>			
Restricted for rural improvement zone purposes			<u>\$ 2,005,287</u>

See notes to financial statements.

Lake Panorama Rural Improvement Zone  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2017

	General	Debt Service	Total
<b>Receipts:</b>			
Tax increment financing	\$ 1,813,965	-	1,813,965
Stand-by property tax	-	2,373	2,373
Rental income	28,700	-	28,700
Use of money and property	3,169	6	3,175
Lake Panorama Association security deposit	400,000	-	400,000
Total receipts	<u>2,245,834</u>	<u>2,379</u>	<u>2,248,213</u>
<b>Disbursements:</b>			
<b>Maintenance and improvements:</b>			
Dredging	457,537	-	457,537
Repairs and maintenance	26,718	-	26,718
Consulting and engineering fees	166,655	-	166,655
Insurance	3,450	-	3,450
Administration	1,185	-	1,185
Professional fees	27,594	-	27,594
Land acquisition	66,332	-	66,332
Property and equipment	526,667	-	526,667
Lake Panorama Association security deposit	357,000	-	357,000
<b>Debt service:</b>			
Principal payments	-	586,100	586,100
Interest and fiscal charges	-	21,770	21,770
Total disbursements	<u>1,633,138</u>	<u>607,870</u>	<u>2,241,008</u>
Excess (deficiency) of receipts over (under) disbursements	<u>612,696</u>	<u>(605,491)</u>	<u>7,205</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	597,537	597,537
Transfers out	(597,537)	-	(597,537)
Total other financing sources (uses)	<u>(597,537)</u>	<u>597,537</u>	<u>-</u>
Changes in fund balances	15,159	(7,954)	7,205
Cash balances beginning of year, as restated	<u>1,990,128</u>	<u>7,954</u>	<u>1,998,082</u>
Cash balances end of year	<u>\$ 2,005,287</u>	<u>-</u>	<u>2,005,287</u>
<b>Cash Basis Fund Balances</b>			
Restricted for rural improvement zone purposes	<u>\$ 2,005,287</u>	<u>-</u>	<u>2,005,287</u>

See notes to financial statements.

Lake Panorama Rural Improvement Zone

Notes to Financial Statements

June 30, 2017

**(1) Summary of Significant Accounting Policies**

The Lake Panorama Rural Improvement Zone was formed on May 19, 1997 pursuant to the provisions of Chapter 357H of the Code of Iowa. The governing body of the Rural Improvement Zone is composed of five elected Trustees. The purpose of the Rural Improvement Zone is to manage maintenance and improvement of the Lake Panorama private development in rural Guthrie County, Iowa.

A. Reporting Entity

For financial reporting purposes, the Lake Panorama Rural Improvement Zone has included all funds, organizations, agencies, boards, commissions and authorities. The Rural Improvement Zone has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Rural Improvement Zone are such that exclusion would cause the Rural Improvement Zone's financial statement 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 rural Improvement Zone 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 Rural Improvement Zone. The Rural Improvement Zone has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the Rural Improvement Zone. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities are supported by tax revenues.

Net position is reported in the following category:

Restricted net position is used to manage maintenance and improvement of the Rural Improvement Zone.

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. Tax increment financing receipts 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Rural Improvement Zone reports the following major governmental funds:

The General Fund is the special fund in which all tax increment financing receipts and other receipts are deposited. The fund pays the maintenance and improvement costs of the Rural Improvement Zone.

The Debt Service Fund is utilized to account for stand-by property tax and other receipts to be used for the payment of principal and interest on the Sample Rural Improvement Zone's general long-term debt.

C. Measurement Focus and Basis of Accounting

The Rural Improvement Zone maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Rural Improvement Zone 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 statement does not present the financial position and results of operations of the Rural Improvement Zone in accordance with U. S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

**(2) Cash and Investments**

The Rural Improvement Zone's deposits in banks at June 30, 2017 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 ensure there will be no loss of public funds.

The Rural Improvement Zone 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 Rural Improvement Zone; 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.

The Rural Improvement Zone had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Notes**

On March 31, 2015, the Rural Improvement Zone issued tax increment revenue certification anticipation notes for the purpose of defraying costs in connection with a project of the Rural Improvement Zone, consisting of the acquisition of equipment and the construction of improvements. The notes bear interest of 1.8% per annum and are issued in anticipation of the receipt of, and are payable from the proceeds of, an authorized issue of the tax increment revenue certificates of the Rural Improvement Zone, or any other sources to be received and expended for the project. During the year ended June 30, 2017, the Rural Improvement Zone retired \$586,100 of the tax increment revenue certification anticipation notes and paid \$21,271 of interest. At June 30, 2017, the total principal and interest remaining on the notes were \$595,600 and \$10,721, respectively.

**(4) Risk Management**

The Rural Improvement Zone is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors or omissions; and natural disasters. These risks are covered under the liability and property insurance policies of the Lake Panorama Association, as required by the dredging contract. The Rural Improvement Zone has a public officials liability policy with a coverage limit of \$2,000,000. Settled claims for these risks have not exceeded the insurance coverage in any of the past three fiscal years.

**(5) Lake Panorama Association Contracts**

The Rural Improvement Zone has entered into a dredging contract with the Lake Panorama Association (LPA) which expires on December 31, 2017. Under the contract, the LPA will remove no less than 155,000 cubic yards of sediment during the dredging season. The price of sediment removal will be charged at \$1.24 per cubic yard for a total of \$231,880. As of June 30, 2017, 73,772 cubic yards of sediment had been removed under this agreement and \$91,477 has been paid to LPA.

The Rural Improvement Zone has entered into a general lake maintenance and administration services contract with the Lake Panorama Association (LPA) which expires on December 31, 2017 for general lake maintenance and March 31, 2018 for administrative services. The total contract price of \$168,120 will be paid to the LPA in payments beginning on April 1, 2017 and ending on December 1, 2017. As of June 30, 2017, \$56,040 has been paid to LPA.

LPA made a cash performance security deposit of \$400,000 at June 30, 2017, held by Panora State Bank in the Rural Improvement Zone's name, which serves as security in the event of default by the LPA under the 2017 dredging and general lake maintenance and administrative services contracts.

**(6) Restatement**

Effective July 1, 2016, the Rural Improvement Zone elected to change its method of accounting from the accrual basis of accounting to the cash basis of accounting. As a result, the beginning net position for governmental activities and the beginning fund balances for both funds were restated to report the beginning cash balances. The beginning cash balance for the Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Cash Balances was also restated as shown below. The restatement activity to convert the Rural Improvement Zone funds from accrual basis to cash basis is as follows:

	Governmental Activities	General Fund	Debt Service Fund
Balances June 30, 2016, as previously reported	\$ 5,466,630	1,494,227	10,327
Adjustments to convert from accrual to cash:			
Property tax receivable	(10,380)	(8,007)	(2,373)
Capital assets, net of accumulated depreciation	(5,145,549)	-	-
Accounts payable	132,874	132,874	-
Accrued interest payable	1,773	-	-
Tax increment revenue certificates, portion due or payable within one year	586,100	-	-
Tax increment revenue certificates, portion due or payable after one year	595,600	-	-
Dredging security deposit	357,000	357,000	-
Advances from lessee	14,034	14,034	-
Cash balances July 1, 2016, as restated	<u>\$ 1,998,082</u>	<u>1,990,128</u>	<u>7,954</u>

**Other Information**

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Lake Panorama Rural Improvement Zone

Budgetary Comparison Schedule  
of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds

Other Information

Year ended June 30, 2017

	Actual	Budgeted Amounts Original/ Final	Final Actual Variance
Receipts:			
Tax increment financing and stand-by property tax	\$ 1,816,338	1,800,000	16,338
Interest on investments	3,175	3,480	(305)
Miscellaneous	428,700	20,500	408,200
Total receipts	<u>2,248,213</u>	<u>1,823,980</u>	<u>424,233</u>
Disbursements:			
Maintenance and improvements	1,633,138	2,208,000	574,862
Debt service	607,870	617,371	9,501
Total disbursements	<u>2,241,008</u>	<u>2,825,371</u>	<u>584,363</u>
Excess (deficiency) of receipts over (under) disbursements	7,205	(1,001,391)	1,008,596
Cash balance beginning of year, as restated	<u>1,998,082</u>	<u>1,132,525</u>	<u>865,557</u>
Cash balance end of year	<u>\$ 2,005,287</u>	<u>131,134</u>	<u>1,874,153</u>

See accompanying independent auditor's report.

Lake Panorama Rural Improvement Zone  
Notes to Other Information – Budgetary Reporting  
Year ended June 30, 2017

In accordance with the Code of Iowa, the Board of Trustees 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 total disbursements by fund. Disbursements required to be budgeted include disbursements for the General Fund and the Debt Service Fund.

During the year ended June 30, 2017, disbursements did not exceed the amounts budgeted.



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of a Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Trustees of the Lake Panorama Rural Improvement Zone:

We have audited 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, the financial statements of the governmental activities and each major fund of the Lake Panorama Rural Improvement Zone as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the Rural Improvement Zone's basic financial statement, and have issued our report thereon dated October 26, 2017. Our 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 our audit of the financial statements, we considered the Lake Panorama Rural Improvement Zone's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Panorama Rural Improvement Zone's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Panorama Rural Improvement Zone's internal control.

A deficiency in internal control exists when the design or operation of a 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Rural Improvement Zone's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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.

Our 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lake Panorama Rural Improvement Zone's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Rural Improvement Zone's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Rural Improvement Zone. Since our 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.

### Lake Panorama Rural Improvement Zone's Responses to the Findings

Lake Panorama Rural Improvement Zone's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Lake Panorama Rural Improvement Zone's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Rural Improvement Zone'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 Rural Improvement Zone's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Lake Panorama Rural Improvement Zone during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

October 26, 2017

Lake Panorama Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the Rural Improvement Zone’s financial statements.

Condition – Generally, one individual has control over the accounting system – general accounting, general ledger, journal entries, custody and control.

In addition, the Rural Improvement Zone does not have an accounting policies and procedures manual.

Cause – The Rural Improvement Zone has not designed procedures to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the Rural Improvement Zone’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by individuals in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Rural Improvement Zone should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available Board of Trustees.

Response – Segregation of duties is challenging to perfect in a small organization. In recognition of this, the Rural Improvement Zone has undertaken the following practices: (1) The Board president receives a duplicate bank statement directly from the bank on a monthly basis. (2) All Board members are emailed a copy of every disbursement, including a copy of the check and invoice. (3) All checks require two signatures. The Rural Improvement Zone will continue to explore policies that will achieve maximum segregation of duties and accepts the risk associated with those areas in which segregation of duties cannot be perfectly achieved.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Lake Panorama Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2017

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Rural Improvement Zone money for travel expenses of spouses of Rural Improvement Zone officials or employees were noted.
- (4) Bond Coverage – Surety bond coverage for Board members is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (5) Rural Improvement Zone Minutes – No transactions were found that we believe should have been approved in the Rural Improvement Zone minutes but were not.
- (6) Deposits and Investments – No instances of non-compliance with the deposit provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- (7) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.
- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Rural Improvement Zone to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Rural Improvement Zone does not receive an image of the back of each cancelled check.

Recommendation – The Rural Improvement Zone should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The Rural Improvement Zone has contacted our bank and requested both images of the front and the back of all checks be included in our bank statements. They have confirmed this will commence immediately with our next bank statement. This issue will presumably remain a comment for next year's FY 2017-18 audit, as July, August and September 2017 statements did not have both images sent as part of the monthly bank statement. To accommodate the FY 2017-18 audit, the Rural Improvement Zone will be able to obtain copies of the reverse side of any check from our bank, at a per item price, for any check written in the third quarter of 2017.

Conclusion – Response accepted.

Lake Panorama Rural Improvement Zone

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager  
Cole L. Hocker, Staff Auditor  
Michaela M. Goergen, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State