



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ November 9, 2016

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 revenues totaled \$2,261,821 for the year ended June 30, 2016, a 16% decrease from the prior year. The revenues included tax increment financing receipts of \$1,723,518, stand-by property tax receipts of \$512,420 and other receipts of \$25,883.

Expenses for the year ended June 30, 2016 totaled \$1,015,044, a 9% decrease from the prior year, and included \$490,214 for dredging, \$274,448 for depreciation and \$152,155 for consulting and engineering fees.

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/1615-0300-B00F>.

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**LAKE PANORAMA RURAL IMPROVEMENT ZONE**

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

**JUNE 30, 2016**

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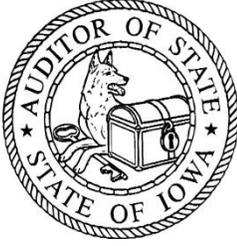
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**Lake Panorama Rural Improvement Zone**

**Board of Trustees**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Hemphill	President	January 2018
Corey Welberg	Clerk	January 2017
Dale Grotjohn	Treasurer	January 2019
Bill Dahl	Trustee	January 2017
JoAnn Johnson	Trustee	January 2018

**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, 2016, 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 U.S. generally accepted accounting principles. 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 respective financial position of the governmental activities and each major fund of the Lake Panorama Rural Improvement Zone as of June 30, 2016, and the respective changes in its financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 11 and 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2016 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 to describe the scope of our testing 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 31, 2016

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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, 2016. We encourage readers to consider this information in conjunction with the Rural Improvement Zone's financial statements, which follow.

### 2016 FINANCIAL HIGHLIGHTS

- The Rural Improvement Zone's revenues decreased 15.8%, or approximately \$423,000, from fiscal year 2015 to fiscal 2016. The Rural Improvement Zone's revenues were \$2,261,821, including tax increment financing receipts of approximately \$1,722,000, stand-by property tax receipts of approximately \$514,000 and approximately \$26,000 of other receipts.
- The Rural Improvement Zone's expenditures decreased 9%, or approximately \$101,000. The Rural Improvement Zone's expenditures were \$1,015,044, including \$490,214 for dredging, \$274,448 for depreciation and \$152,155 for consulting and engineering fees.
- The Rural Improvement Zone's net position increased 30%, or approximately \$1,247,000, from June 30, 2015 to June 30, 2016.

### 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 Statements consist of a Statement of Net Position and a Statement of Activities. These statements provide information about the activities of the Rural Improvement Zone as a whole and presents and 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.

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

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

### *Entity-wide Financial Statements*

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 Statement of Net Position and Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the Rural Improvement Zone's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as 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.

The Statement of Activities presents information showing how the Rural Improvement Zone's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future years.

### *Fund Financial Statements*

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 statements provide 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 statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Reconciliations between the entity-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## **ENTITY-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The Rural Improvement Zone's combined net position increased sharply from a year ago, increasing from \$4,219,853 to \$5,466,630. The largest portion of the Rural Improvement Zone's net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately \$1,166,000 over the prior year. Net position restricted for rural improvement zone purposes increased approximately \$76,000 over the prior year. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2016	2015
Current and other assets	\$ 2,008,462	1,807,834
Capital assets	5,145,549	4,553,273
Total assets	7,154,011	6,361,107
Deferred outflows of resources	-	29,943
Long-term liabilities	595,600	1,181,700
Other liabilities	1,091,781	989,497
Total liabilities	1,687,381	2,171,197
Net position:		
Net investment in capital assets	3,963,849	2,798,273
Restricted for rural improvement zone purposes	1,492,454	1,415,973
Restricted for debt service	10,327	5,607
Total net position	\$ 5,466,630	4,219,853

Changes in Net Position of Governmental Activities		
	Year ended June 30	
	2016	2015
Revenues:		
General revenues:		
Tax increment financing	\$ 1,722,047	1,738,283
Stand-by property tax	513,891	501,357
Rental income	19,112	17,548
Unrestricted interest on investments	1,618	4,049
Other	5,153	-
Gain on disposition of capital assets	-	423,431
Total receipts	2,261,821	2,684,668
Expenditures:		
Maintenance and improvement:		
Dredging	490,214	519,058
Repairs and maintenance	2,175	-
Consulting and engineering fees	152,155	85,643
Insurance	3,450	3,450
Administration	1,140	-
Professional fees	27,091	41,495
Bond issuance expense	30,443	58,978
Depreciation	274,448	304,062
Other	3,143	4,054
Debt service:		
Interest on long-term debt	30,785	98,943
Total expenditures	1,015,044	1,115,683
Change in net position	1,246,777	1,568,985
Net position beginning of year	4,219,853	2,650,868
Net position end of year	\$ 5,466,630	\$ 4,219,853

Revenues for governmental activities decreased approximately \$423,000, due to the prior year sale of a retired dredge. Expenditures for governmental activities decreased approximately \$101,000, due to reduced costs for dredging, professional fees, bond issuance expense and depreciation expense.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the Lake Panorama Rural Improvement Zone completed the year, its governmental funds reported a combined fund balance of \$1,504,554, an increase of approximately \$113,000 above last year's total of \$1,391,637. The General Fund balance increased approximately \$108,000 from the prior year to \$1,494,227, while the Debt Service Fund balance increased approximately \$4,700 to \$10,327. These increases were due to the following: revenues decreased approximately \$423,000 due to the prior year sale of a retired dredge and expenditures decreased approximately \$1,697,000 due primarily to debt related payments decreasing approximately \$2,353,000, while capital expenditures increased approximately \$867,000.

### **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.

### **CAPITAL ASSETS**

At June 30, 2016, the Rural Improvement Zone had approximately \$5.146 million invested in capital assets, including land, equipment and infrastructure. This is a net increase of \$592,276 over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2016	2015
Land	\$ 1,747,847	1,737,757
Construction in progress	847,664	-
Equipment and infrastructure	2,550,038	2,815,516
Total	<u>\$ 5,145,549</u>	<u>4,553,273</u>

The Rural Improvement Zone had depreciation expense of \$274,448 in fiscal year 2016 and total accumulated depreciation of \$1,203,359 at June 30, 2016.

### **DEBT ADMINISTRATION**

At June 30, 2016, the Rural Improvement Zone had \$1,181,700 of long-term debt outstanding, compared to \$1,755,000 at June 30, 2015, as shown below:

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2016	2015
Tax increment revenue certificates	\$ 1,181,700	1,755,000

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 \$1,181,700 is significantly below its constitutional debt limit of approximately \$13.9 million. Additional information about the Rural Improvement Zone's long-term debt is presented in Note 4 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 2017 budget. Budgeted expenditures are expected to increase approximately \$1,293,000 over the fiscal year 2016 actual expenditures due to increases expected for dredging, erosion control and land acquisition. The total ending fund balance is expected to be approximately \$131,000 at June 30, 2017.

### **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.

**Lake Panorama Rural Improvement Zone**

## **Basic Financial Statements**

**Exhibit A**

## Lake Panorama Rural Improvement Zone

## Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 1,968,730
Restricted cash and investments	29,352
Property tax receivable	10,380
Capital assets, net of accumulated depreciation	5,145,549
<b>Total assets</b>	<u>7,154,011</u>
<b>Liabilities</b>	
Accounts payable	132,874
Accrued interest payable	1,773
Dredging security deposit	357,000
Advances from lessee	14,034
Long-term liabilities:	
Portion due or payable within one year:	
Tax increment revenue certificates	586,100
Portion due or payable after one year:	
Tax increment revenue certificates	595,600
<b>Total liabilities</b>	<u>1,687,381</u>
<b>Net Position</b>	
Net investment in capital assets	3,963,849
Restricted for:	
Rural improvement zone purposes	1,492,454
Debt service	10,327
<b>Total net position</b>	<u>\$ 5,466,630</u>

See notes to financial statements.

Lake Panorama Rural Improvement Zone

Statement of Activities

Year ended June 30, 2016

	Disbursements	Charges for Service	Net (Disbursements) Receipts and Changes in Cash Basis Net Position Operating Grants, Contributions and Restricted Interest	Governmental Activities
<b>Functions/Programs:</b>				
Governmental activities:				
Maintenance and improvements:				
Dredging	\$ 490,214	-	-	(490,214)
Repairs & maintenance	2,175	-	-	(2,175)
Consulting and engineering fees	152,155	-	-	(152,155)
Insurance	3,450	-	-	(3,450)
Administration	1,140	-	-	(1,140)
Professional fees	27,091	-	-	(27,091)
Bond issue costs	30,443	-	-	(30,443)
Depreciation	274,448	-	-	(274,448)
Other	3,143	-	-	(3,143)
Debt service:				
Interest on long-term debt	30,785	-	-	(30,785)
Total	<u>\$ 1,015,044</u>	-	-	<u>(1,015,044)</u>
<b>General Receipts:</b>				
Property tax levied for:				
Tax increment financing				1,722,047
Stand-by property tax				513,891
Rental income				19,112
Unrestricted interest on investments				1,618
Miscellaneous				5,153
Total general receipts				<u>2,261,821</u>
Change in net position				1,246,777
Net position beginning of year				4,219,853
Net position end of year				<u>\$ 5,466,630</u>

See notes to financial statements.

**Exhibit C**

## Lake Panorama Rural Improvement Zone

Balance Sheet  
Governmental Funds

June 30, 2016

	General Fund	Debt Service	Total
<b>Assets</b>			
Cash and investments	\$ 1,990,128	7,954	1,998,082
Property tax receivable	8,007	2,373	10,380
<b>Total assets</b>	<b>\$ 1,998,135</b>	<b>10,327</b>	<b>2,008,462</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 132,874	-	132,874
Dredging security deposit	357,000	-	357,000
Advances from lessee	14,034	-	14,034
Total liabilities	503,908	-	503,908
Fund balances:			
Restricted for:			
Rural improvement zone purposes	1,494,227	-	1,494,227
Debt service	-	10,327	10,327
Total fund balances	1,494,227	10,327	1,504,554
<b>Total liabilities and fund balances</b>	<b>\$ 1,998,135</b>	<b>10,327</b>	<b>2,008,462</b>

See notes to financial statements.

## Lake Panorama Rural Improvement Zone

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position

June 30, 2016

**Total governmental fund balances (page 16)** \$ 1,504,554

***Amounts reported for governmental activities in the Statement of Net Position are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$6,348,908 and the accumulated depreciation is \$1,203,359.

5,145,549

Long-term liabilities, including tax increment revenue certificates and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(1,183,473)

**Net position of governmental activities (page 14)**

\$ 5,466,630

See notes to financial statements.

**Exhibit E**

## Lake Panorama Rural Improvement Zone

Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2016

	General	Debt Service	Total
Revenues:			
Tax increment financing	\$ 1,722,047	-	1,722,047
Stand-by property tax	-	513,891	513,891
Rental income	19,112	-	19,112
Use of money and property	1,468	150	1,618
Miscellaneous	5,153	-	5,153
Total revenues	1,747,780	514,041	2,261,821
Expenditures:			
Maintenance and improvements:			
Dredging	490,214	-	490,214
Repairs and maintenance	2,175	-	2,175
Consulting and engineering fees	144,225	-	144,225
Insurance expense	3,450	-	3,450
Administration	1,140	-	1,140
Professional fees	27,091	-	27,091
Capital expenditures	866,724	-	866,724
Other	3,117	-	3,117
Debt service:			
Principal payments	-	573,300	573,300
Interest and fiscal charges	-	37,468	37,468
Total expenditures	1,538,136	610,768	2,148,904
Excess (deficiency) of revenues over (under) expenditures	209,644	(96,727)	112,917
Other financing sources (uses):			
Transfers in	-	101,447	101,447
Transfers out	(101,447)	-	(101,447)
Total other financing sources (uses)	(101,447)	101,447	-
Change in fund balances	108,197	4,720	112,917
Fund balances beginning of year	1,386,030	5,607	1,391,637
Fund balances end of year	\$ 1,494,227	10,327	1,504,554
<b>Fund Balances</b>			
Restricted for:			
Rural improvement zone purposes	\$ 1,494,227	-	1,494,227
Debt service	-	10,327	10,327
Total fund balances	\$ 1,494,227	10,327	1,504,554

See notes to financial statements.

Lake Panorama Rural Improvement Zone

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2016

**Change in fund balances - Total governmental funds (page 18)** \$ 112,917  
**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	866,724	
Depreciation expense	<u>(274,448)</u>	592,276

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Bond issuance costs	(29,943)	
Interest expense	<u>(1,773)</u>	(31,716)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

573,300

**Change in net position of governmental activities (page 15)** \$ 1,246,777

See notes to financial statements.

Lake Panorama Rural Improvement Zone

Notes to Financial Statements

June 30, 2016

**(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 Statements - The Statement of Net Position and the Statement of Activities report 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 these statements. Governmental activities are supported by tax revenues.

The Statement of Net Position presents the Rural Improvement Zone's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 revenues 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 into 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 revenues to be used for the payment of interest and principal on the Rural Improvement Zone's general long-term debt.

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Restricted Assets – Funds set aside for payment of tax increment revenue certificates are classified as restricted assets since their use is restricted for payment of principal and interest on tax increment revenue certificates.

Capital Assets – Capital assets, which include property, infrastructure and equipment are reported in the applicable governmental columns in the entity-wide Statement of Net Position. Capital assets are recorded at historical cost. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the Rural Improvement Zone are depreciated using the straight line method.

Long-term liabilities – In the entity-wide financial statements, long-term debt is reported as liabilities on the Statement of Position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of rental income, which has been received in advance of the earning process.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Investments**

The Rural Improvement Zone's deposits in banks at June 30, 2016 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) Capital Assets

Capital assets activity for the year end June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,737,757	10,090	-	1,747,847
Construction in progress - infrastructure	-	847,664	-	847,664
Total capital assets not being depreciated	1,737,757	857,754	-	2,595,511
Capital assets being depreciated:				
Equipment	2,835,448	8,970	-	2,844,418
Infrastructure	908,979	-	-	908,979
Total capital assets being depreciated	3,744,427	8,970	-	3,753,397
Less accumulated depreciation for:				
Equipment	811,501	228,999	-	1,040,500
Infrastructure	117,410	45,449	-	162,859
Total accumulated depreciation	928,911	274,448	-	1,203,359
Total capital assets being depreciated, net	2,815,516	(265,478)	-	2,550,038
Governmental activities capital assets, net	\$ 4,553,273	592,276	-	5,145,549

### (4) Long-Term Liabilities

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.

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Tax Increment Revenue Certificates - 1.8%	\$ 1,755,000	-	573,300	1,181,700	586,100

Long-term debt maturities for each of the two years following June 30, 2016, are as follows:

Year Ending June 30,	Series 2015 Refunding Total		
	Principal	Interest	Total
2017	\$ 586,100	21,271	607,371
2018	595,600	10,721	606,321
Total	\$ 1,181,700	31,991	1,213,691

During the year ended June 30, 2016, the Rural Improvement Zone retired \$573,300 of tax increment revenue certificates.

**(5) 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.

**(6) Lake Panorama Association Dredging Contract**

The Rural Improvement Zone has entered into a dredging contract with the Lake Panorama Association (LPA) that expires on December 31, 2016. Under the contract, the LPA will provide no less than 4,200 man hours of work during the dredging season. The price of labor will be charged at \$85 per hour for a total of \$357,000. As of June 30, 2016, 1,799.5 man hours of labor had been used under this agreement.

The LPA has made a cash performance security deposit in the amount of \$357,000 at June 30, 2016 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 2016 dredging contract. The security deposit will be released in three equal payments of \$119,000, as work is completed. As of June 30, 2016, no payments were released.

**(7) Commitments**

The Rural Improvement Zone entered into a contract for \$1,216,380 for construction of the Cory Basin. As of June 30, 2016, costs of \$731,840 have been incurred on the contract. The \$484,540 balance on the contract will be paid as work on the project progresses.

**Required Supplementary Information**

Lake Panorama Rural Improvement Zone

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

Required Supplementary Information

Year ended June 30, 2016

	Actual	Budgeted		Final Actual Variance
		Original/ Final	Amounts	
Receipts:				
Tax increment financing	\$ 2,232,105	2,290,794		(58,689)
Interest on investments	1,618	5,000		(3,382)
Miscellaneous	26,204	12,000		14,204
Total receipts	2,259,927	2,307,794		(47,867)
Disbursements:				
Maintenance and improvements	1,452,364	2,466,000		1,013,636
Debt service	610,768	784,455		173,687
Total disbursements	2,063,132	3,250,455		1,187,323
Excess (deficiency) of receipts over (under) disbursements	196,795	(942,661)		1,139,456
Balance beginning of year	1,801,287	1,712,283		89,004
Balance end of year	\$ 1,998,082	769,622		1,228,460

See accompanying independent auditor's report.

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Lake Panorama Rural Improvement Zone

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 2,259,927	1,894	2,261,821
Expenditures	2,063,132	85,772	2,148,904
Net	196,795	(83,878)	112,917
Beginning fund balances	1,801,287	(409,650)	1,391,637
Ending fund balances	\$ 1,998,082	(493,528)	1,504,554

See accompanying independent auditor's report.

Lake Panorama Rural Improvement Zone

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2016

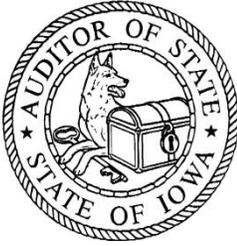
In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

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, no budget amendments increased budgeted disbursements.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

**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**

**Lake Panorama Rural Improvement Zone**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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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, 2016, and the related Notes to Financial Statements, which collectively comprise the Rural Improvement Zone's basic financial statements, and have issued our report thereon dated October 31, 2016.

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.

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 were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

### 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, 2016 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 31, 2016

Lake Panorama Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2016

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas:

- (1) Accounting system – general accounting, general ledger, journal entries, custody and control.
- (2) While a monthly bank reconciliation is performed, the reconciliation is not reviewed and approved by an independent person and evidence of the review is not documented.

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

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. To improve financial accountability and control, the bank reconciliation should be independently reviewed, and evidence of the independent review should be documented and retained.

Response – The President of the Board receives a copy of the monthly bank statement directly from the bank and the accountant scans and forwards copies of support for all checks written to all the Board Trustees. Upon receiving the monthly bank statement, the President traces all transactions on the statement to the scanned documents sent by the accountant. If he finds an irregularity or missing check number, the President contacts the accountant for information to satisfy the discrepancy.

Conclusion – Response acknowledged. The bank reconciliation should be independently reviewed, and evidence of the independent review should be documented and retained.

(B) Financial Reporting – During the audit, we identified deferred revenue items not recorded in the Rural Improvement Zone’s financial statements. Adjustments were subsequently made by the Rural Improvement Zone to properly include these amounts in the financial statements.

Recommendation – The Rural Improvement Zone should implement procedures to ensure all deferred revenues are identified and included in the Rural Improvement Zone financial statements.

Response – Although pertinent for an accrual situation, this becomes a moot point when a cash basis is used for reporting, which is the direction the Lake Panorama Rural Improvement Zone Board is planning to take.

Conclusion – Response accepted.

Lake Panorama Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2016

- (C) Capital Assets – The Lake Panorama Rural Improvement Zone previously maintained a capital asset listing for accounting and insurance purposes, which accounted for all assets, including those items below capitalization thresholds. During the year ended June 30, 2016, the Rural Improvement Zone did not maintain and update the capital asset listing for current year additions or increases to accumulated depreciation. In addition, the Rural Improvement Zone does not have a capital asset policy.

Recommendation – The capital asset listing should be maintained on a current up-to-date basis.

Response – An updated listing of all assets will be compiled and kept current. The Rural Improvement Zone plans a change to cash accounting which will eliminate the need for a capitalization threshold and accumulated depreciation schedules.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Lake Panorama Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2016

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

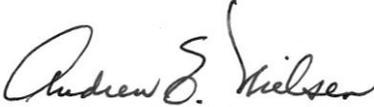
- (1) Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (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) Business Transactions – No business transactions between the Rural Improvement Zone and Rural Improvement Zone officials were noted.
- (5) 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.
- (6) Rural Improvement Zone Minutes – No transactions were found that we believe should have been approved in the Rural Improvement Zone minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- (8) 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.

Lake Panorama Rural Improvement Zone

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager  
Joshua W. Ostrander, Senior Auditor  
Mark D. Newhall, Staff Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State