

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

October 26, 2018

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 \$2,458,798 for the year ended June 30, 2018. The receipts included tax increment financing receipts of \$1,962,545, Lake Panorama Association project reimbursement of \$27,500, Lake Panorama Association security deposit of \$410,850 and other receipts of \$57,903.

Disbursements for the year ended June 30, 2018 totaled \$3,033,783, and included \$1,055,284 for land acquisition, \$606,821 for debt service and \$529,241 for dredging.

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/audit-reports/>.

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LAKE PANORAMA RURAL IMPROVEMENT ZONE

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

JUNE 30, 2018

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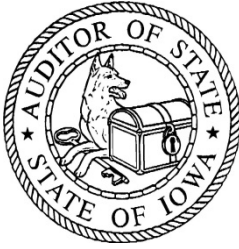
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Lake Panorama Rural Improvement Zone

Board of Trustees

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Hemphill	President	January 2021
Corey Welberg	Clerk	January 2020
Dale Grotjohn	Treasurer	January 2019
Bill Dahl	Trustee	January 2021
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, 2018, 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 statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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, 2018, 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.

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 19, 2018 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 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. We encourage readers to consider this information in conjunction with the Rural Improvement Zone's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The Rural Improvement Zone's receipts increased 9.4%, or approximately \$211,000, from fiscal year 2017 to fiscal 2018. The Rural Improvement Zone's receipts were \$2,458,798, including tax increment financing receipts of \$1,962,545, Lake Panorama Association project reimbursements of \$27,500, Lake Panorama Association security deposit of \$410,850 and \$57,903 of other receipts.
- The Rural Improvement Zone's disbursements increased 35.4%, or approximately \$793,000. The Rural Improvement Zone's disbursements were \$3,033,783, including \$1,055,284 for land acquisition, \$606,821 for debt service and \$529,241 for dredging.
- The Rural Improvement Zone's cash basis net position decreased 29%, or approximately \$575,000, from June 30, 2017 to June 30, 2018.

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 basic 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 Statement tells how governmental services were financed in the short term as well as what remains for future spending. The fund financial statement reports 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

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 decreased from a year ago, decreasing from \$2,005,287 to \$1,430,302. 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	
	2018	2017
Receipts:		
General receipts:		
Tax increment financing	\$ 1,962,545	1,813,965
Stand-by property tax	-	2,373
Rental income	38,899	28,700
Unrestricted interest on investments	19,004	3,175
Lake Panorama Association project reimbursement	27,500	-
Lake Panorama Association security deposit	410,850	400,000
Total receipts	<u>2,458,798</u>	<u>2,248,213</u>
Disbursements:		
Maintenance and improvements:		
Dredging	529,241	457,537
Repairs and maintenance	81,178	26,718
Consulting and engineering fees	59,454	166,655
Insurance expense	3,475	3,450
Administration	758	1,185
Professional fees	30,175	27,594
Land acquisition	1,055,284	66,332
Water quality	182,464	-
Property and equipment	84,933	526,667
Lake Panorama Association security deposit	400,000	357,000
Debt service:		
Principal on long-term debt	595,600	586,100
Interest on long-term debt	11,221	21,770
Total disbursements	<u>3,033,783</u>	<u>2,241,008</u>
Change in cash basis net position	(574,985)	7,205
Cash basis net position beginning of year	<u>2,005,287</u>	<u>1,998,082</u>
Cash basis net position end of year	<u>\$ 1,430,302</u>	<u>2,005,287</u>

Receipts for governmental activities increased approximately \$211,000, due to an increase in tax increment financing receipts of \$149,000, an increase in Lake Panorama Association project reimbursement receipts of approximately \$28,000 and an increase of \$16,000 in interest receipts. Disbursements for governmental activities increased approximately \$793,000 due to an increase in land acquisition disbursements of approximately \$989,000, an increase of approximately \$72,000 in dredging disbursements, an increase in water quality disbursements of approximately \$182,000 for testing of wetlands and a decrease in property and equipment disbursements of approximately \$442,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the Lake Panorama Rural Improvement Zone completed the year, its governmental funds reported a combined fund balance of \$1,430,302, a decrease of approximately \$575,000 from last year's total of \$2,005,287. The General Fund balance decreased approximately \$575,000 from the prior year to \$1,430,302, while the Debt Service Fund balance remained the same. The decrease in the General Fund was primarily due to the following: receipts increased approximately \$149,000 due to an increase in tax increment financing receipts, while property and equipment disbursements decreased approximately \$442,000 due to the prior year construction of a sediment basin which was completed early in fiscal year 2018. In addition, disbursements increased approximately \$989,000 for land acquisition and approximately \$182,000 for water quality related to wetlands testing.

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, 2018, the Rural Improvement Zone had no long-term debt outstanding, compared to \$595,600 at June 30, 2017.

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 2019 budget. Budgeted disbursements are expected to decrease approximately \$421,000 from the fiscal year 2018 actual disbursements due to decreases expected for land acquisition. The total ending fund balance is expected to be approximately \$226,000 at June 30, 2019.

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, 2018

	Program Receipts		Net (Disbursements)	
	Charges for Service	Contributions and Restricted Interest	Receipts and Changes in Cash Basis Net Position Governmental Activities	
Functions/Programs:				
Governmental activities:				
Maintenance and improvements:				
Dredging	\$ 529,241	-	-	(529,241)
Repairs and maintenance	81,178	-	-	(81,178)
Consulting and engineering fees	59,454	-	-	(59,454)
Insurance	3,475	-	-	(3,475)
Administration	758	-	-	(758)
Professional fees	30,175	-	-	(30,175)
Land acquisition	1,055,284	-	-	(1,055,284)
Water quality	182,464	-	-	(182,464)
Property and equipment	84,933	-	-	(84,933)
Lake Panorama Association security deposit	400,000	-	-	(400,000)
Debt service	606,821	-	-	(606,821)
Total	\$ 3,033,783	-	-	(3,033,783)
General Receipts:				
Property tax levied for:				
Tax increment financing				1,962,545
Rental income				38,899
Unrestricted interest on investments				19,004
Lake Panorama Association project reimbursement				27,500
Lake Panorama Association security deposit				410,850
Total general receipts				2,458,798
Change in cash basis net position				(574,985)
Cash basis net position beginning of year				2,005,287
Cash basis net position end of year				\$ 1,430,302
Cash Basis Net Position				
Restricted for rural improvement zone purposes				\$ 1,430,302

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, 2018

	General	Debt Service	Total
Receipts:			
Tax increment financing	\$ 1,962,545	-	1,962,545
Rental income	38,899	-	38,899
Use of money and property	19,004	-	19,004
Lake Panorama Association project reimbursement	27,500	-	27,500
Lake Panorama Association security deposit	410,850	-	410,850
Total receipts	2,458,798	-	2,458,798
Disbursements:			
Maintenance and improvements:			
Dredging	529,241	-	529,241
Repairs and maintenance	81,178	-	81,178
Consulting and engineering fees	59,454	-	59,454
Insurance	3,475	-	3,475
Administration	758	-	758
Professional fees	30,175	-	30,175
Land acquisition	1,055,284	-	1,055,284
Water quality	182,464	-	182,464
Property and equipment	84,933	-	84,933
Lake Panorama Association security deposit	400,000	-	400,000
Debt service:			
Principal payments	-	595,600	595,600
Interest and fiscal charges	-	11,221	11,221
Total disbursements	2,426,962	606,821	3,033,783
Excess (deficiency) of receipts over (under) disbursements	31,836	(606,821)	(574,985)
Other financing sources (uses):			
Transfers in	-	606,821	606,821
Transfers out	(606,821)	-	(606,821)
Total other financing sources (uses):	(606,821)	606,821	-
Changes in fund balances	(574,985)	-	(574,985)
Cash balances beginning of year	2,005,287	-	2,005,287
Cash balances end of year	\$ 1,430,302	-	1,430,302
Cash Basis Fund Balances			
Restricted for rural improvement zone purposes	\$ 1,430,302	-	1,430,302

See notes to financial statements.

Lake Panorama Rural Improvement Zone

Notes to Financial Statements

June 30, 2018

(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 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, 2018 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) 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.

(4) 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, 2018. Under the contract, the LPA will remove no less than 225,000 cubic yards of sediment during the dredging season. The price of sediment removal will be charged at \$1.19 per cubic yard for a total of \$267,750. As of June 30, 2018, 65,764 cubic yards of sediment had been removed under this agreement and \$78,259 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, 2018 for general lake maintenance and March 31, 2019 for administrative services. The total contract price of \$143,100 will be paid to the LPA in payments beginning on April 1, 2018 and ending on December 1, 2018. As of June 30, 2018, \$31,400 has been paid to LPA.

LPA made a cash performance security deposit of \$410,850 at June 30, 2018, 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 2018 dredging and general lake maintenance and administrative services contracts.

Other Information

Lake Panorama Rural Improvement Zone

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, 2018

	Actual	Budgeted Amounts Original/ Final	Final Actual Variance
Receipts:			
Tax increment financing	\$ 1,962,545	1,870,000	92,545
Interest on investments	19,004	30,000	(10,996)
Miscellaneous	477,249	-	477,249
Total receipts	2,458,798	1,900,000	558,798
Disbursements:			
Maintenance and improvements	2,426,962	2,560,000	133,038
Debt service	606,821	616,320	9,499
Total disbursements	3,033,783	3,176,320	142,537
Excess (deficiency) of receipts over (under) disbursements	(574,985)	(1,276,320)	701,335
Cash balance beginning of year	2,005,287	1,905,631	99,656
Cash balance end of year	\$ 1,430,302	629,311	800,991

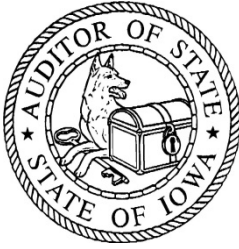
See accompanying independent auditor's report.

Lake Panorama Rural Improvement Zone
Notes to Other Information – Budgetary Reporting
Year ended June 30, 2018

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, 2018, disbursements did not exceed the amounts budgeted.



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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, 2018, 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 19, 2018. 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, 2018 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 19, 2018

Lake Panorama Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(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. The Rural Improvement Zone should develop an accounting policies and procedures manual.

Response – The Lake Panorama Rural Improvement Zone Board recognizes segregation of duties is challenging for small organizations such as ours. The Rural Improvement Zone Board’s annual activities involve a limited number of receipts and disbursements. This has allowed the Rural Improvement Zone Board to review each revenue and expense individually, albeit after the fact. Additional measures will be reviewed moving forward to ensure maximum segregation of duties is achieved. The Lake Panorama Rural Improvement Zone will work to review existing practices, identify opportunities for improvement and document procedures into a written manual.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Lake Panorama Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 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 (AURR) was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following reporting exception was noted:

The beginning and ending cash balances reported on the AURR Levy Authority Summary do not agree to the Rural Improvement Zone’s records due to the exclusion of activity from one of the Rural Improvement Zone’s bank accounts. The ending cash balance was understated by \$404,834.

Recommendation – The Rural Improvement Zone should ensure all activity is recorded on the AURR Levy Authority Summary.

Response – The Lake Panorama Rural Improvement Zone strives to complete all forms and reports correctly. The understatement of \$404,834 represents a performance deposit held by the Rural Improvement Zone for eventual repayment to our dredging vendor. The Rural Improvement Zone has obtained guidance from the Iowa Department of Management on how this performance deposit should be recorded on the FY 2017-18 urban renewal report and will correct this issue moving forward.

Conclusion – Response accepted.

- (8) Annual Financial Report – The Rural Improvement Zone’s Annual Financial Report did not agree to the Rural Improvement Zone’s records. The beginning cash balance did not agree to the ending cash balance from the previous year by \$4,227. In addition, the Annual Financial Report receipts and disbursements did not agree to the Rural Improvement Zone’s records due to the exclusion of activity in one of the Rural Improvement Zone’s bank accounts. Receipts and disbursements were understated by \$400,000 and \$357,000, respectively.

Lake Panorama Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2018

Recommendation – The Rural Improvement Zone should ensure all activity is recorded in the Annual Financial Report and the report agrees to the Rural Improvement Zone’s records.

Response – As with the urban renewal report, the Lake Panorama Rural Improvement Zone did not show the performance deposit held by the Rural Improvement Zone for eventual repayment to our dredging vendor. The Rural Improvement Zone has obtained guidance from the Iowa Department of Management on how this performance deposit should be recorded on the FY 2017-18 AFR and will correct this issue moving forward.

The discrepancy of \$4,227 has been researched through analysis of the Rural Improvement Zone’s bank records and accounting data. The Rural Improvement Zone is confident all funds have been accounted for and no misappropriation of funds occurred. The Rural Improvement Zone believes this difference ties back to conversion from accrual basis accounting to cash basis accounting, which occurred between the 2015-16 and 2016-17 fiscal years. This issue will be monitored closely by the Rural Improvement Zone Board moving forward.

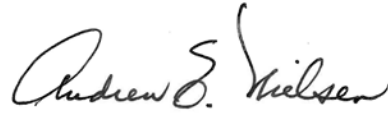
Conclusion – Response accepted.

Lake Panorama Rural Improvement Zone

Staff

This audit was performed by:

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

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State