

This guide is provided in accordance with Chapter 11.6(7) of the Code of Iowa. Use of this guide in your practice requires a proper implementation of professional standards. This guide is not a substitute for an understanding of the applicable professional standards. While this guide has been reviewed internally by CPAs within the Auditor of State's Office and is subject to outside peer review every three years, the guide has not undergone an external Quality Control Material Review or Examination.

SAMPLE RURAL IMPROVEMENT ZONE

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

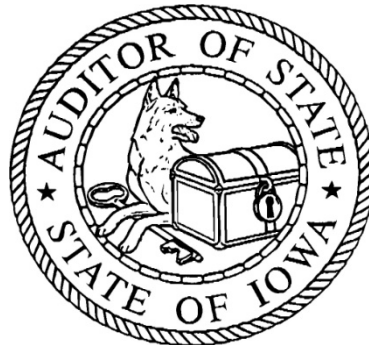
JUNE 30, 2024

==== Office of =====

**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa

=====



Rob Sand
Auditor of State



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834

Practitioners:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of Rural Improvement Zones should be performed in accordance with the auditing standards generally accepted in the United States of America, applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

This sample report has been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The format displays the basic financial statements and other information (except for the Management's Discussion and Analysis, see Additional Notes 1) and the Schedule of Findings which are necessary to meet the requirements of this Office. The detail presented in the financial statements and other information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Rural Improvement Zone feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Rural Improvement Zones with \$750,000 or more of federal expenditures are required to receive a Single Audit in accordance with the Uniform Guidance. Any questions concerning Single Audit requirements should be directed to the Rural Improvement Zone's cognizant or oversight agency.

In accordance with the Uniform Guidance, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <https://www.fac.gov>. The system requires the reporting package be uploaded in a single PDF file.

Under Rule 15c 2-12 of the Securities and Exchange Commission governing ongoing disclosure by municipalities to the bond markets, virtually any municipality which issues more than one million of securities per issue is subject to an ongoing filing responsibility. All continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (text-searchable PDF), i.e., not scanned.

The findings on compliance, items 202X-A through 202X-I detail those items which are to be included regardless of whether there are any instances of noncompliance or not. Any instances of noncompliance in other areas should also be reported.

We have also included a page for listing the staff performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11.14 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the Rural Improvement Zone for the notification. We have developed a standard news release to be used for this purpose. The news release (paper copy or electronic format) should be completed by the CPA firm or the Rural Improvement Zone and submitted to this Office with a **text-searchable** electronic copy of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make the audit report and news release available to the news media in this Office.

In accordance with Chapter 11.6(7) of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or other significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the state.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large, sweeping "R" and "S".

Rob Sand
Auditor of State

Office of Auditor of State

Report Filing Requirements

Report – The Rural Improvement Zone or CPA firm is required to submit an electronic **text-searchable**, PDF copy of the audit report, including the management letter(s) if issued separately, with this Office upon release to the Rural Improvement Zone within nine months following the end of the fiscal year subject to audit. Text-searchable files are required for the following reasons:

- The files created are much smaller in size than scanned-image files. Accordingly, text-searchable files require less storage space.
- Text-searchable files are required by the Census bureau when submitting Data Collection Forms and Single Audit reporting packages (i.e., consistent with Federal requirements).
- Text-searchable files provide transparency to the public.

Per Diem Audit Billing and News Release – A copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should also be submitted. These items can be submitted as either paper copies or electronic copies.

Filing Fee – The filing fee should be submitted based on the following designated budget strata:

Budgeted Expenditures in Millions of Dollars	Filing Fee Amount
Under 1	\$ 100
At least 1 but less than 3	175
At least 3 but less than 5	250
At least 5 but less than 10	425
At least 10 but less than 25	625
25 and over	850

Submission – Electronic submission (text-searchable PDF) of the audit report, per diem audit billing and news release should be e-mailed to SubmitReports@aos.iowa.gov.

If you are unable to e-mail the PDF files, you may mail a CD containing the files to this Office. You may direct any questions about submitting electronic files to the above e-mail address.

Notify the Rural Improvement Zone to remit the filing fee to the following address:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, IA 50319-0001

Sample Rural Improvement Zone

Outline of Major Changes

- A. Statement No. 100 of the Governmental Accounting Standards Board (GASB) is applicable for fiscal year 2024 audits. This statement relates to accounting and financial reporting requirements for accounting changes and error corrections. The Rural Improvement Zone may have accounting changes and/or error corrections requiring reporting under GASBS No. 100. The Sample Rural Improvement Zone was not modified to reflect this statement.

Additional Notes

1. Management's Discussion and Analysis (MD&A), which is part of Other Information, is not a required part of the financial statements for entities reporting on a cash basis and it is, therefore, not required by this Office. If the Rural Improvement Zone elects to include an MD&A with the financial statements, it should be based on the applicable standards that apply to GAAP reporting and be reported as Other Information.
2. If the Rural Improvement Zone has deposits in credit unions at June 30, 2024, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the Rural Improvement Zone or the Rural Improvement Zone's agent in the Rural Improvement Zone's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
3. Section 357H.9(2) of the Code of Iowa requires Rural Improvement Zones with urban renewal areas to approve and file an Annual Urban Renewal Report on or before December 1.

It also requires an audit of Rural Improvement Zones to include an examination of the Rural Improvement Zone's compliance with the annual urban renewal reporting requirements. As such, the auditor is required to include a statutory comment on the Annual Urban Renewal Report, regardless of whether there are any instances of noncompliance or not. An example to report noncompliance is included as item (7) in the Schedule of Findings. The following is an example statutory comment if no instances of noncompliance are noted:

Annual Urban Renewal Report – The Annual Urban Report was properly approved and certified to the Iowa Department of Management on or before December 1 as required by Chapter 357H.9(2) and no exceptions were noted.

4. Section 403.19, 357H.8 and 357H.9 of the Code of Iowa require TIF collections shall not be used for any purpose except for the payment of principal and interest on certificates, contracts or other obligations approved by the board of trustees which qualify for payment.

This section also requires an audit of Rural Improvement Zones to include an examination of the Rural Improvement Zone's compliance with the Tax Increment Debt Certificates Forms 1 through 3. As such, the auditor is required to include a statutory comment on the Tax Increment Financing Fund regardless of whether there are any instances of noncompliance. An example statutory comment if no instances on noncompliance is included as item (8) in the Schedule of Findings. Sample City Report includes an instance of noncompliance for an example finding.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
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Telephone (515) 281-5834

Rob Sand
Auditor of State

NEWS RELEASE

Contact:

FOR RELEASE

Auditor of State Rob Sand today released an audit report on the Sample Rural Improvement Zone.

FINANCIAL HIGHLIGHTS:

The Rural Improvement Zone's receipts totaled \$_____ for the year ended June 30, 2024, a(n) _____% increase (decrease). Disbursements for the year ended June 30, 2024 totaled \$_____, a(n) _____% increase (decrease). The significant increase (decrease) in receipts and disbursements is due primarily to _____.

AUDIT FINDINGS:

Sand reported five findings related to the receipt and disbursement of taxpayer funds. They are found on pages 26 through 28 of this report. The findings address issues such as lack of segregation of duties, disbursements exceeding budgeted amounts and errors related to the certification of the annual urban renewal report. Sand provided the Rural Improvement Zone with recommendations to address each of the findings.

Four of the findings discussed above are repeated from the prior year. The Rural Improvement Zone Trustees have a fiduciary responsibility to provide oversight of the Rural Improvement Zone's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

(NOTE to CPAs: Include significant findings, including material weaknesses, significant noncompliance and all Federal findings. Auditor judgment should be used to determine which significant deficiencies reported under Government Auditing Standards, if any, should be included.)

A copy of the audit report is available for review on the Auditor of State's website at Audit Reports – Auditor of State.

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SAMPLE RURAL IMPROVEMENT ZONE

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

JUNE 30, 2024

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Sample Rural Improvement Zone

Board of Trustees

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Smith	President	January 2026
Sarah Recorder	Clerk	January 2027
Richard Jones	Treasurer	January 2027
Jim Johnson	Trustee	January 2025
Ron Adams	Trustee	January 2026

Note: Trustees term expirations are based upon when the Rural Improvement Zone was originally established. These will vary amongst the various RIZs but will remain consistent within the RIZ.

Sample Rural Improvement Zone



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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State Capitol Building
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Independent Auditor's Report

To the Trustees of the Sample Rural Improvement Zone:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sample Rural Improvement Zone, as of and for the year ended June 30, 2024, and the related Notes to Financial Statements, which collectively comprise the Rural Improvement Zone's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of Sample Rural Improvement Zone as of June 30, 2024, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Sample Rural Improvement Zone, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sample Rural Improvement Zone's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sample Rural Improvement Zone's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in this report. The other information comprises the Management's Discussion and Analysis (**delete reference to the MD&A if excluded from reporting**) and the Budgetary Comparison Information on pages 8 through 10 and 20 and 21 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2024 on our consideration of the Sample Rural Improvement Zone's internal control over financial reporting and on 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 internal control over financial reporting 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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sample Rural Improvement Zone's internal control over financial reporting and compliance.

Brian R. Brustkern, CPA
Deputy Auditor of State

September 17, 2024

(NOTE: Delete the MD&A if management has elected to exclude it from reporting)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sample Improvement Zone provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Sample Rural Improvement Zone is for the year ended June 30, 2024. We encourage readers to consider this information in conjunction with the Rural Improvement Zone's financial statements, which follow.

2024 FINANCIAL HIGHLIGHTS

- Receipts of the Rural Improvement Zone's governmental activities decreased 7.2%, or approximately \$18,000, from fiscal year 2023 to fiscal year 2024. Tax increment financing receipts increased \$82,000 and loan proceeds decreased \$100,000.
- Disbursements of the Rural Improvement Zone's governmental activities decreased 5.0%, or approximately \$10,000, in fiscal year 2024 from fiscal year 2023. Dredging and debt service disbursements increased \$30,000 and \$25,000, respectively, while erosion control and land acquisition disbursements decreased \$40,000 and \$25,000, respectively.
- The Rural Improvement Zone's total cash basis net position increased 42.2%, or approximately \$39,000, from June 30, 2023 to June 30, 2024.

USING THIS ANNUAL REPORT

The annual report consists of the 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 Government-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 government-wide financial statement.
- 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 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.

GOVERNMENT-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 \$91,540 to \$130,140. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2024	2023
Receipts:		
General receipts:		
Tax increment financing	\$ 232,000	150,000
Unrestricted interest on investments	100	140
Loan proceeds	-	100,000
Total receipts	<u>232,100</u>	<u>250,140</u>
Disbursements:		
Maintenance and improvements:		
Dredging	30,000	-
Erosion control	130,000	170,000
Land acquisition	-	25,000
Administration	2,000	800
Professional fees	1,500	2,800
Debt service:		
Loan principal repaid	20,000	-
Interest on loan	10,000	5,000
Total disbursements	<u>193,500</u>	<u>203,600</u>
Change in cash basis net position	38,600	46,540
Cash basis net position beginning of year	<u>91,540</u>	<u>45,000</u>
Cash basis net position end of year	<u>\$ 130,140</u>	<u>91,540</u>

The Rural Improvement Zone's total receipts for governmental activities decreased 7.2%, or approximately \$18,000 from the prior year. The total cost of all programs and services decreased approximately \$10,000, or 5.0%. The decrease in receipts was primarily the result of loan proceeds received in the prior year, offset by an increase in tax increment financing receipts of approximately \$82,000 in fiscal year 2024.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the Sample Rural Improvement Zone completed the year, its governmental funds reported a combined fund balance of \$130,140, an increase of approximately \$39,000 above last year's total of \$91,540. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$38,600 over the prior year to \$130,140. This increase is due to an increase in tax increment financing receipts of \$82,000, partially offset by a decrease in loan proceeds of \$100,000.
- The Debt Service Fund does not maintain a cash balance. Transfers are made from the General Fund to the Debt Service Fund for debt payments. During the year ended June 30, 2024, principal of \$20,000 and interest of \$10,000 was paid on the outstanding rural improvement zone notes.

BUDGETARY HIGHLIGHTS

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

For the year ended June 30, 2024, the Rural Improvement Zone disbursements exceeded the amount budgeted in the maintenance and improvement program.

DEBT ADMINISTRATION

The Rural Improvement Zone had \$180,000 of long-term debt outstanding at June 30, 2024.

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 \$180,000 is significantly below its constitutional debt limit of approximately \$1 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

Sample Rural Improvement Zone's elected officials considered many factors when setting the fiscal year 2025 budget. Budgeted disbursements are expected to increase approximately \$20,000 over the fiscal year 2024 actual disbursements due to an increase in debt payments. The total ending fund balance is expected to be approximately \$110,000 at June 30, 2025.

CONTACTING THE COMMISSION'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 Sample Rural Improvement Zone, 101 Main Street, Sample City, Iowa 50XXX-XXXX.

Basic Financial Statements

Exhibit A

Sample Rural Improvement Zone

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2024

	Disbursements	Program Receipts		Net (Disbursements)
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Receipts and Changes in Cash Basis Net Position Governmental Activities
Functions/Programs:				
Governmental activities:				
Maintenance and improvements:				
Dredging	\$ 30,000	-	-	(30,000)
Erosion control	130,000	-	-	(130,000)
Administration	2,000	-	-	(2,000)
Professional fees	1,500	-	-	(1,500)
Debt service	30,000	-	-	(30,000)
Total	\$ 193,500	-	-	(193,500)
General Receipts:				
Tax increment financing				232,000
Unrestricted interest on investments				100
Total general receipts				232,100
Change in cash basis net position				38,600
Cash basis net position beginning of year				91,540
Cash basis net position end of year				\$ 130,140
Cash Basis Net Position				
Restricted for rural improvement zone purposes				\$ 130,140

See notes to financial statements.

Sample Rural Improvement Zone

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2024

	General Fund	Debt Service	Total
Receipts:			
Tax increment financing	\$ 232,000	-	232,000
Use of money and property	100	-	100
Total receipts	<u>232,100</u>	<u>-</u>	<u>232,100</u>
Disbursements:			
Maintenance and improvement:			
Dredging	30,000	-	30,000
Erosion control	130,000	-	130,000
Administration	2,000	-	2,000
Professional fees	1,500	-	1,500
Debt service:			
Loan principal repayments	-	20,000	20,000
Interest on loan	-	10,000	10,000
Total disbursements	<u>163,500</u>	<u>30,000</u>	<u>193,500</u>
Excess (deficiency) of receipts over (under) disbursements	68,600	(30,000)	38,600
Other financing sources (uses):			
Transfers in	-	30,000	30,000
Transfers out	(30,000)	-	(30,000)
Total other financing sources (uses)	<u>38,600</u>	<u>-</u>	<u>38,600</u>
Change in cash balances	38,600	-	38,600
Cash balances beginning of year	91,540	-	91,540
Cash balances end of year	<u>\$ 130,140</u>	<u>-</u>	<u>130,140</u>
Cash Basis Fund Balances			
Restricted for rural improvement purposes	<u>\$ 130,140</u>	<u>-</u>	<u>130,140</u>

See notes to financial statements.

Sample Rural Improvement Zone

Notes to Financial Statements

June 30, 2024

(1) Summary of Significant Accounting Policies

The Sample Rural Improvement Zone was formed in 2010 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 Sample private development in rural Sample County.

A. Reporting Entity

For financial reporting purposes, the Sample 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

Government-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 Statement – A separate financial statement is provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statement.

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 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. Tax Increment Financing (Property Tax) and Governmental Cash Basis Fund Balances

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

Property tax receipts recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2022 assessed property valuations; is for the tax accrual period July 1, 2023 through June 30, 2024 and reflects tax asking contained in the budget certified to the Rural Improvement Zone in April 2023.

In the governmental fund financial statements, cash basis 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 budget comparison and related disclosures are reported as Other Information. During the year ended June 30, 2024, disbursements exceeded the amount budgeted in the maintenance and improvement program.

(2) Cash and Investments

The Rural Improvement Zone's deposits in banks at June 30, 2024 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) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2024 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Bank loan	\$ 200,000	-	20,000	180,000	180,000

On November 29, 2021, the Rural Improvement Zone issued a promissory note to J.R. Ewing for \$100,000 with interest at 5.00% per annum payable annually. The note matured on November 29, 2022 but was extended until November 29, 2024.

On July 10, 2022, the Rural Improvement Zone issued a promissory note to the Sample Owners Association, Inc. for \$100,000 with interest at 5.00% per annum payable annually. The note matured on July 10, 2023 but \$80,000 of the note was extended until July 10, 2024.

The Rural Improvement Zone’s loans include a provision that in an event of default the outstanding amounts become immediately due.

A summary of the annual principal and interest requirements to maturity is as follows:

Year Ending June 30,	Interest Rate	Nov 29, 2021		Jul 10, 2022		Total
		Principal	Interest	Principal	Interest	
2025	5.00%	\$ 100,000	5,000	\$ 80,000	4,000	189,000

During the year ended June 30, 2024, the Rural Improvement Zone paid \$5,000 of interest on the note dated November 29, 2021 and \$20,000 of principal and \$5,000 of interest on the note dated July 10, 2022.

**If the RIZ has a subscription liability, refer to the Sample County Report for disclosure.

(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 by the purchase of commercial insurance. The Rural Improvement Zone assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past two fiscal years.

(5) Subsequent Event

On July 14, 2024, the Rural Improvement Zone issued a promissory note to the Sample Owners Association, Inc. for \$80,000 with interest of 5.00% per annum payable annually. The note matures on July 10, 2025.

Sample Rural Improvement Zone

Other Information

Sample Rural Improvement Zone
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances –
 Budget and Actual – All Governmental Funds

Other Information

Year ended June 30, 2024

	Actual	Budgeted Amounts Original/ Final	Final to Actual Variance
Receipts:			
Tax increment financing	\$ 232,000	235,000	(3,000)
Interest on investments	100	500	(400)
Miscellaneous	-	100	(100)
Total receipts	232,100	235,600	(3,500)
Disbursements:			
Maintenance and improvement	163,500	150,000	(13,500)
Debt service	30,000	30,000	-
Total disbursements	193,500	180,000	(13,500)
Excess of receipts over disbursements	38,600	55,600	(17,000)
Other financing sources	-	-	-
Change in balances	38,600	55,600	(17,000)
Cash balance beginning of year	91,540	100,000	(8,460)
Cash balance end of year	\$ 130,140	155,600	(25,460)

See accompanying independent auditor's report.

Sample Rural Improvement Zone

Notes to Other Information – Budgetary Reporting

June 30, 2024

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, 2024, disbursements exceeded the amount budgeted for maintenance and improvement in the General Fund.

Sample Rural Improvement Zone



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Rob Sand
Auditor of State

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

To the Trustees of the Sample Rural Improvement Zone:

We have audited in accordance with auditing standards generally accepted in the United States of America 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 Sample Rural Improvement Zone, as of and for the year ended June 30, 2024, 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 September 17, 2024. 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample Rural Improvement Zone's internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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 Sample Rural Improvement Zone's internal control. Accordingly, we do not express an opinion on the effectiveness of Sample 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 that 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **(Use for Note 1, Note 2, Note 3)**

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 that we consider to be material weaknesses and significant deficiencies. **(Note 4 only)**

(Use this paragraph rather than preceding paragraph for Note 1) Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

(Use this paragraph rather than preceding two paragraphs for Note 2, Note 3) Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. (add bold for Note 2 only)** We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings item 2024-001 to be a material weakness. **(delete “a material weakness” add “that we consider to be a significant deficiency.” for Note 2)**

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 that 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 deficiencies described in the accompanying Schedule of Findings as items 2024-XXX through 2024-XXX to be material weaknesses. **(Use this for Note 4 only)**

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 2024-XXX and 2024-XXX to be significant deficiencies. **(Use this for Note 4 only)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample Rural Improvement Zone’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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, 2024 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.

Sample Rural Improvement Zone’s Responses to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Sample Rural Improvement Zone’s responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Sample Rural Improvement Zone’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Sample 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.

Brian R. Brustkern, CPA
Deputy Auditor of State

September 17, 2024

Note 1: No material weaknesses and no significant deficiencies.

Note 2: No material weaknesses but significant deficiencies exist.

Note 3: Material weaknesses exist but no significant deficiencies.

Note 4: Both material weaknesses and significant deficiencies exist.

Sample Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2024

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

2024-001 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 employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Rural Improvement Zone’s financial statements.

Condition – Generally, one individual in the Rural Improvement Zone has control over the processing of invoices, check preparation and signing and preparing bank reconciliations.

Cause – The Rural Improvement Zone has a limited number of Trustees and procedures have not been designed 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 employees in the normal course of performing their assigned functions.

Recommendation – The Board should review its control activities to obtain the maximum internal control possible under the circumstances utilizing current members to provide additional control through review of financial transactions, reconciliations and reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the bank statements and reconciliations are presented monthly to the entire Board by the Treasurer. The President or Clerk will review the reconciliation and initial the bank statements and reconciliations to document the review.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Sample Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2024

Other Findings Related to Required Statutory Reporting:

2024-A Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amount budgeted in the maintenance and improvement program in the General Fund.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, the Board will amend the budget as needed.

Conclusion – Response accepted.

2024-B 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.

2024-C Travel Expense – No disbursements of Rural Improvement Zone money for travel expenses of spouses of Rural Improvement Zone officials or employees were noted.

2024-D Restricted Donor Activity – No transactions were noted between the Board of Trustees, Rural Improvement Zone officials, Rural Improvement Zone employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2024-E 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.

2024-F Rural Improvement Zone Minutes – No transactions were found that we believe should have been approved in the Rural Improvement Zone minutes but were not. However, the meeting minutes were not signed.

Recommendation – The Rural Improvement Zone Board should ensure its meeting minutes are signed to authenticate the meeting records.

Response – The Clerk acknowledges and will sign a printed copy of the Board meeting minutes, once approved by the Board, beginning October 2024.

Conclusion – Response accepted.

2024-G Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, except as follows:

A resolution naming official depositories has not been adopted by the Rural Improvement Zone Board.

Sample Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2024

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – The resolution was inadvertently omitted from the organizational meeting. In the past, the Board of Trustees has formally passed a resolution for this purpose. In the future, the Board of Trustees will ensure an authorizing resolution is included in each annual organization meeting.

Conclusion – Response accepted.

2024-H Annual Urban Renewal Report – The Annual Urban Renewal Report was not certified to the Iowa Department of Management on or before December 1 as required by Chapter 357H.9(2) of the Code of Iowa.

In addition, the amount reported as TIF debt outstanding on the Levy Authority Summary excluded a \$100,000 promissory note entered into in July 2022.

Recommendation – The Rural Improvement Zone should file the Annual Urban Renewal Report timely and ensure the TIF debt outstanding reported on the Levy Authority Summary includes all TIF obligations, as required.

Response – Future reports will be filed timely and will include all debt outstanding at the beginning of the fiscal year plus any entered into during the fiscal year.

Conclusion – Response accepted.

2024-I Tax Increment Financing – The Sample Rural Improvement Zone properly disbursed payments for TIF principal and interest on certificates, contracts or other obligations approved by the Board. Also, the Sample Rural Improvement Zone properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

Sample Rural Improvement Zone

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Jerome Warning, CPA, Manager
Stanley Hood, CPA, Senior Auditor
Janice Brinkley, CPA, Assistant Auditor