



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

November 16, 2017

Contact: Andy Nielsen  
515/281-5834

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

The Rural Improvement Zone had total receipts of \$326,457 for the year ended June 30, 2017, including tax increment financing receipts of \$226,346, loan proceeds of \$100,000 and other receipts of \$111.

Disbursements for the year ended June 30, 2017 totaled \$303,385, including \$161,356 for erosion control, \$118,000 for debt service and \$16,755 for water quality.

A copy of the audit report is available for review in the Holiday Lake Rural Improvement Zone office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1715-0200-B00F>.

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**HOLIDAY LAKE RURAL IMPROVEMENT ZONE**

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

**JUNE 30, 2017**

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**Holiday Lake Rural Improvement Zone**

**Board of Trustees**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Beumer	President	August 2017
Del Sherwood	Clerk	August 2017
Richard Happe	Treasurer	August 2018
Ron Snyder	Trustee	August 2018
Dale Nelson	Trustee	August 2019

**Holiday Lake Rural Improvement Zone**



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Independent Auditor's Report

To the Trustees of the Holiday Lake 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 Holiday Lake Rural Improvement Zone as of and for the year ended June 30, 2017, and the related Notes to Financial Statement, 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 the financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the 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 Holiday Lake Rural Improvement Zone as of June 30, 2017, and the changes in its cash basis financial position 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 31, 2017 on our consideration of the Holiday Lake 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 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 the Holiday Lake Rural Improvement Zone's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

October 31, 2017

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

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

### **2017 FINANCIAL HIGHLIGHTS**

- Receipts of the Rural Improvement Zone's governmental activities increased 36.6%, or approximately \$87,000, from fiscal year 2016 to fiscal year 2017. Tax increment financing receipts decreased approximately \$6,000, sale of land receipts decreased approximately \$7,000 and loan proceeds increased \$100,000.
- Disbursements of the Rural Improvement Zone's governmental activities increased 8.5%, or approximately \$24,000, in fiscal year 2017. Water quality and debt service disbursements increased approximately \$13,000 and \$100,000, respectively. Erosion control disbursements decreased approximately \$92,000.
- The Rural Improvement Zone's total cash basis net position increased 33.3%, or approximately \$23,000 from June 30, 2016 to June 30, 2017.

### **USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to the financial statements. The annual report consists of the financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Rural Improvement Zone's financial activities.
- The Entity-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the Rural Improvement Zone as a whole and presents an overall view of the Rural Improvement Zone's finances.
- The Fund Financial 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 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, short-term view of the Rural Improvement Zone's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Rural Improvement Zone's programs.

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

## ENTITY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The Rural Improvement Zone's cash balance increased, increasing from \$69,186 to \$92,258. 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,	
	2017	2016
Receipts:		
General receipts:		
Tax increment financing	\$ 226,346	232,018
Unrestricted interest on investments	111	101
Sale of land	-	6,858
Loan proceeds	100,000	-
Total receipts	<u>326,457</u>	<u>238,977</u>
Disbursements:		
Maintenance and improvements:		
Erosion control	161,356	253,778
Land acquisition	113	750
Water quality	16,755	4,248
Administration	1,953	1,414
Professional fees	5,208	1,404
Debt service:		
Loan principal repaid	100,000	-
Interest on loan	18,000	18,000
Total disbursements	<u>303,385</u>	<u>279,594</u>
Change in cash basis net position	23,072	(40,617)
Cash basis net position beginning of year	<u>69,186</u>	<u>109,803</u>
Cash basis net position end of year	<u>\$ 92,258</u>	<u>69,186</u>

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the Holiday Lake Rural Improvement Zone completed the year, its governmental funds reported a combined fund balance of \$92,258, an increase of \$23,072 over last year's total of \$69,186. 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 \$23,072 from the prior year to \$92,258. Revenues decreased approximately \$6,000, or 2.4%. Erosion control disbursements decreased approximately \$92,000 due to fewer projects and water quality disbursements increased approximately \$13,000 due to algae treatments.
- 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, 2017, loan proceeds of \$100,000 were received and principal and interest of \$100,000 and \$18,000, respectively, were paid.

## **BUDGETARY HIGHLIGHTS**

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

For the year ended June 30, 2017, the Rural Improvement Zone disbursements did not exceed the amounts budgeted.

## **DEBT ADMINISTRATION**

The Rural Improvement Zone had \$350,000 of long-term debt outstanding at June 30, 2017.

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 \$350,000 is significantly below its constitutional debt limit of approximately \$3.5 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**

Holiday Lake Rural Improvement Zone's elected officials considered many factors when setting the fiscal year 2018 budget. Budgeted disbursements are expected to increase approximately \$144,000 over the fiscal year 2017 actual disbursements due to an increase in debt payments and erosion control disbursements. The total ending fund balance is expected to be approximately \$52,000 at June 30, 2018.

## **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 Holiday Lake Rural Improvement Zone, PO Box 24, Brooklyn, Iowa 52211.

## **Basic Financial Statements**

**Exhibit A**

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

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position Governmental Activities
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>				
Governmental activities:				
Maintenance and improvements:				
Erosion control	\$ 161,356	-	-	(161,356)
Land acquisition	113	-	-	(113)
Water quality	16,755	-	-	(16,755)
Administration	1,953	-	-	(1,953)
Professional fees	5,208	-	-	(5,208)
Debt service	118,000	-	-	(118,000)
Total	\$ 303,385	-	-	(303,385)
<b>General Receipts:</b>				
Tax increment financing				226,346
Unrestricted interest on investments				111
Loan proceeds				100,000
Total general receipts				326,457
Change in cash basis net position				23,072
Cash basis net position beginning of year				69,186
Cash basis net position end of year				\$ 92,258
<b>Cash Basis Net Position</b>				
Restricted for rural improvement zone purposes				\$ 92,258

See notes to financial statements.

Holiday Lake Rural Improvement Zone

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

As of and for the year ended June 30, 2017

	<u>Special Revenue</u>		Total
	General	Debt Service	
Receipts:			
Tax increment financing	\$ 226,346	-	226,346
Use of money and property	111	-	111
Total receipts	<u>226,457</u>	<u>-</u>	<u>226,457</u>
Disbursements:			
Maintenance and improvement:			
Erosion control	161,356	-	161,356
Land acquisition	113	-	113
Water quality	16,755	-	16,755
Administration	1,953	-	1,953
Professional fees	5,208	-	5,208
Debt service:			
Loan principal repayments	-	100,000	100,000
Interest on loan	-	18,000	18,000
Total disbursements	<u>185,385</u>	<u>118,000</u>	<u>303,385</u>
Excess (deficiency) of receipts over (under) disbursements	<u>41,072</u>	<u>(118,000)</u>	<u>(76,928)</u>
Other financing sources (uses):			
Loan proceeds	-	100,000	100,000
Transfers in	-	18,000	18,000
Transfers out	<u>(18,000)</u>	<u>-</u>	<u>(18,000)</u>
Total other financing sources (uses)	<u>(18,000)</u>	<u>118,000</u>	<u>100,000</u>
Change in cash balances	23,072	-	23,072
Cash balances beginning of year	<u>69,186</u>	<u>-</u>	<u>69,186</u>
Cash balances end of year	<u>\$ 92,258</u>	<u>-</u>	<u>92,258</u>
<b>Cash Basis Fund Balances</b>			
Restricted for rural improvement purposes	<u>\$ 92,258</u>	<u>-</u>	<u>92,258</u>

See notes to financial statements.

# Holiday Lake Rural Improvement Zone

## Notes to Financial Statements

June 30, 2017

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

The Holiday Lake 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 Holiday Lake private development in rural Poweshiek County.

#### A. Reporting Entity

For financial reporting purposes, the Holiday Lake 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 categories:

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 the payment of interest and principal 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 budget comparison and related disclosures are reported as Other Information.

**(2) Cash and Investments**

The Rural Improvement Zone's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Rural Improvement Zone is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Rural Improvement Zone; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

**(3) Loans Payable**

On November 29, 2013, the Rural Improvement Zone issued a promissory note to R.M. Clayton, Jr. and Jeanne Clayton for \$100,000 with interest of 5.00% per annum payable annually on November 29. The note matured on November 29, 2014 but was extended until November 29, 2017. During the year ended June 30, 2017, the Rural Improvement Zone paid \$5,000 of interest on the note.

On November 29, 2013, the Rural Improvement Zone issued a promissory note to Esther Brannian for \$200,000 with interest of 5.00% per annum payable annually on November 29. The note matured November 29, 2014 but \$150,000 of the note was extended until November 29, 2017. During the year ended June 30, 2017, the Rural Improvement Zone paid \$50,000 of principal and \$7,500 of interest on the note. The loan balance as of June 30, 2017 is \$100,000.

On July 10, 2014, the Rural Improvement Zone issued a promissory note to the Holiday Lake Owners Association, Inc. for \$100,000 with interest of 5.50% per annum payable annually on July 10. The note matured on July 10, 2015 but was extended until July 10, 2018. During the year ended June 30, 2017, the Rural Improvement Zone paid \$50,000 of principal and \$5,500 of interest on the note. The loan balance as of June 30, 2017 is \$50,000.

On July 14, 2016, the Rural Improvement Zone issued a promissory note to the Holiday Lake Owners Association, Inc. for \$100,000 with interest of 5.50% per annum payable annually on July 10. The note matured on July 10, 2017 but was extended until July 10, 2018.

**(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 the past two fiscal years.

## **Other Information**

**Holiday Lake Rural Improvement Zone**

Holiday Lake Rural Improvement Zone

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

Other Information

Year ended June 30, 2017

	Actual	Budgeted Amounts Original/ Final	Final Actual Variance
Receipts:			
Tax increment financing	\$ 226,346	218,830	7,516
Interest on investments	111	150	(39)
Total receipts	<u>226,457</u>	<u>218,980</u>	<u>7,477</u>
Disbursements:			
Maintenance and improvement	185,385	228,700	43,315
Debt service	118,000	168,000	50,000
Total disbursements	<u>303,385</u>	<u>396,700</u>	<u>93,315</u>
Excess (deficiency) of receipts over (under) disbursements	(76,928)	(177,720)	100,792
Other financing sources	100,000	100,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	23,072	(77,720)	100,792
Cash balance beginning of year	69,186	175,855	(106,669)
Cash balance end of year	<u>\$ 92,258</u>	<u>98,135</u>	<u>(5,877)</u>

See accompanying independent auditor's report.

Holiday Lake Rural Improvement Zone

Notes to Other Information – Budgetary Reporting

June 30, 2017

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

Formal and legal budgetary control is based upon total disbursements by fund. Disbursements required to be budgeted include disbursements for the General Fund and the Debt Service Fund.

**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**

**Holiday Lake Rural Improvement Zone**



OFFICE OF AUDITOR OF STATE  
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Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Trustees of the Holiday Lake 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 Holiday Lake Rural Improvement Zone as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, and have issued our report thereon dated October 31, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Holiday Lake Rural Improvement Zone's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Holiday Lake Rural Improvement Zone's internal control. Accordingly, we do not express an opinion on the effectiveness of the Holiday Lake 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 Holiday Lake 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 in internal control 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 Holiday Lake Rural Improvement Zone's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

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

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

Holiday Lake Rural Improvement Zone's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Holiday Lake 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 Holiday Rural Improvement Zone during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

October 31, 2017

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2017

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same 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 – One person has primary control over the processing of invoices, check preparation and signing, and bank reconciling. In addition, there is no written evidence that the bank reconciliations are reviewed by an independent person for propriety.

Cause – The Rural Improvement Zone has a limited number of Trustees and no employees, and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Recommendation – The Board should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available elected officials to provide additional control through review of financial transactions, reconciliations and reports. An independent review of bank reconciliations should be documented with signatures and dates.

Response – The bank statements and bank reconciliations are presented monthly to the entire board for their review along with the profit and loss statement and balance sheet. Going forward the Trustees will each review the bank statements, including copies of all checks (front and back) and initial the official originals of these statements to evidence the date of review by each Trustee.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2017

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

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

However, the amount reported as TIF asset sales was overstated by \$24,088.

Recommendation – The Rural Improvement Zone should ensure the amounts reported agree with the general ledger.

Response – This inconsistency was the result of a misunderstanding on the part of the Treasurer, with the reporting of subsequent loans on the books at the beginning of the fiscal year. Reporting all debt transactions throughout the year should balance beginning and ending cash.

Conclusion – Response accepted.

- (8) Debt Issuance – Chapter 357H of the Code of Iowa allows the Rural Improvement Zone to enter into contracts or other obligations payable from future receipts to provide funds for the payment of costs of improvement projects. “Before contracts or other obligations are issued into, the board of trustees shall publish a notice of its intention, stating the amount, the purpose, and the improvement project or projects for which the certificates, contracts, or other obligations are to be issued or entered into.”

The Rural Improvement Zone did not publish notice prior to entering into a new debt contract on July 14, 2016.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2017

Recommendation – Before entering into any new debt contract, the Rural Improvement Zone should publish the required notifications in accordance with Chapter 357H of the Code of Iowa.

Response – The Board of Trustees is now aware of this requirement, is reviewing the code and will comply with notice requirements therein.

Conclusion – Response accepted.

- (9) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Rural Improvement Zone to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Rural Improvement Zone does not receive an image of the back of each cancelled check.

Recommendation – The Rural Improvement Zone should obtain and retain front and back images of cancelled checks as required.

Response – The Treasurer has contacted the bank and beginning with the September 2017 bank statement, images of both sides of the cancelled checks are included in the statement.

Conclusion – Response accepted.

- (10) Investment Policy – The Rural Improvement Zone has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Rural Improvement Zone should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The Board of Trustees is in the process of drafting an investment policy that complies with the provisions of Chapter 12B.10B of the Code.

Conclusion – Response accepted.

Holiday Lake Rural Improvement Zone

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Dorothy O. Stover, Senior Auditor II  
Darrin D. Dafney, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State