



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

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**NEWS RELEASE**

FOR RELEASE

November 1, 2018

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Contact: Andy Nielsen  
515/281-5834

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

The Rural Improvement Zone's receipts totaled \$1,342,558 for the year ended June 30, 2018, a 230.7% increase over the prior year. The receipts included tax increment financing receipts of \$242,158 and note proceeds of \$1,100,400.

Disbursements for the year ended June 30, 2018 totaled \$466,760, a 15% increase over the prior year, and included \$229,734 for debt service, \$88,668 for erosion control, \$66,000 for a land easement and improvement, \$40,000 for dredging and \$42,358 for administration and professional fees.

A copy of the audit report is available for review in the Sundown 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/audit-reports/>.

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**SUNDOWN LAKE RURAL IMPROVEMENT ZONE**

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

**JUNE 30, 2018**

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**Sundown Lake Rural Improvement Zone**

**Board of Trustees**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Schoenberger	President	August 2019
Greg Hayes	Treasurer	August 2019
Frank Kamish	Clerk	August 2020
Jason Kok	Trustee	August 2018
Gary Olsen	Trustee	August 2018

**Sundown Lake Rural Improvement Zone**



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Independent Auditor's Report

To the Trustees of the Sundown Lake Rural Improvement Zone:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Sundown Lake Rural Improvement Zone, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the Rural Improvement Zone's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on 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 Sundown Lake Rural Improvement Zone as of June 30, 2018, 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.

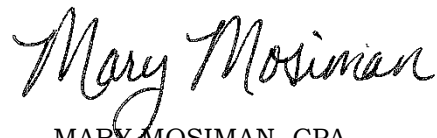
## Other Matters

### *Other Information*

The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 9 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 24, 2018 on our consideration of the Sundown 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 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 Sundown Lake Rural Improvement Zone's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA  
Auditor of State

October 24, 2018



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

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The Sundown 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 Sundown Lake Rural Improvement Zone is for the year ended June 30, 2018. We encourage readers to consider this information in conjunction with the Rural Improvement Zone's financial statements, which follow.

### **2018 FINANCIAL HIGHLIGHTS**

- Receipts of the Rural Improvement Zone were \$1,342,558, including tax increment financing receipts of \$242,158 and note proceeds of \$1,100,400.
- Disbursements of the Rural Improvement Zone were \$466,760, and included \$229,734 for debt service, \$88,668 for erosion control, \$66,000 for a land easement, \$40,000 for dredging and \$42,358 for administration and professional fees.
- The Rural Improvement Zone's total cash balance increased \$875,798 from June 30, 2017 to June 30, 2018.

### **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 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*

The General Fund, a governmental fund, accounts for the Rural Improvement Zone's basic services. This statement focuses on how money flows into and out of the fund and the balance at year-end that is available for spending. 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 for governmental activities increased from \$229,289 to \$1,105,087. 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,	
	2018	2017
Receipts:		
General receipts:		
Tax increment financing	\$ 242,158	182,931
Note proceeds	1,100,400	223,000
Total receipts	<u>1,342,558</u>	<u>405,931</u>
Disbursements:		
Maintenance and improvement:		
Dredging	40,000	17,658
Erosion control	88,668	-
Land acquisition/easement and improvement	66,000	103,598
Administration	4,264	1,992
Professional fees	38,094	85,030
Debt Service:		
Note principal repaid	225,000	190,000
Interest on note	4,734	7,455
Total disbursements	<u>466,760</u>	<u>405,733</u>
Change in cash basis net position	875,798	198
Cash basis net position beginning of year	<u>229,289</u>	<u>229,091</u>
Cash basis net position end of year	<u>\$ 1,105,087</u>	<u>229,289</u>

The increase in the Rural Improvement Zone's cash balance was due primarily to an increase in note proceeds of \$877,400. The notes were issued to fund rural improvement zone projects.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the Sundown Lake Rural Improvement Zone completed the year, its governmental fund, the General Fund, reported a fund balance of \$1,105,087, an increase of \$875,798 above last year's total of \$229,091. The increase is primarily due to an increase in tax increment financing receipts of approximately \$59,000 and an increase in note proceeds of approximately \$877,000.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Rural Improvement Zone amended its budget once. The amendment was approved on November 28, 2017 and resulted in increased disbursements of \$368,970 for construction and dredging expenses, \$15,000 for attorney and legal fees and \$35,000 for professional services and project management fees.

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

## **DEBT ADMINISTRATION**

At June 30, 2018, the Rural Improvement Zone had \$1,120,000 of outstanding debt, consisting of a tax increment financing revenue note.

The Constitution of the State of Iowa limits the amount of general obligation debt which can be issued to 5% of the assessed value of all taxable property within the Rural Improvement Zone. The Rural Improvement Zone's outstanding debt of \$1,120,000 is below its constitutional debt limit of approximately \$1,508,000. 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**

Sundown Lake Rural Improvement Zone's elected officials considered many factors when setting the fiscal year 2019 budget. The fiscal year 2019 budgeted receipts are expected to decrease approximately \$1,033,000 when compared to the fiscal year 2018 actual receipts since the Rural Improvement Zone has no plans to issue notes during fiscal year 2019 and an increase in tax increment financing receipts of approximately \$68,000 is expected. Budgeted disbursements are expected to increase approximately \$482,000 over the fiscal year 2018 actual disbursements due to increased dredging and lake improvement projects costs.

## **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, please contact the Treasurer of the Sundown Lake Rural Improvement Zone at PO Box 1104, Centerville, Iowa 52544.

**Sundown Lake Rural Improvement Zone**

## **Basic Financial Statements**

**Exhibit A**

Sundown Lake Rural Improvement Zone  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2018

	Disbursements	Program Receipts		Net (Disbursements)
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Receipts and Changes in Cash Basis Net Position
				Governmental Activities
<b>Functions/Programs:</b>				
Governmental activities:				
Maintenance and improvement:				
Dredging	\$ 40,000	-	-	(40,000)
Erosion control	88,668	-	-	(88,668)
Land easement	66,000	-	-	(66,000)
Administration	4,264	-	-	(4,264)
Professional fees	38,094	-	-	(38,094)
Debt service	229,734	-	-	(229,734)
Total	\$ 466,760	-	-	(466,760)
<b>General Receipts:</b>				
Tax increment financing				242,158
Note proceeds, net of \$19,600 issuance costs				1,100,400
Total general receipts				1,342,558
Change in cash basis net position				875,798
Cash basis net position beginning of year				229,289
Cash basis net position end of year				\$ 1,105,087
<b>Cash Basis Net Position</b>				
Restricted for rural improvement zone purposes				\$ 1,105,087
See notes to financial statements.				

Sundown 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, 2018

	<u>General Fund</u>
Receipts:	
Tax increment financing	<u>\$ 242,158</u>
Disbursements:	
Maintenance and improvement:	
Dredging	40,000
Erosion control	88,668
Land easement	66,000
Administration	4,264
Professional fees	38,094
Debt service:	
Note principal repayments	225,000
Interest on note	<u>4,734</u>
Total disbursements	<u>466,760</u>
Deficiency of receipts under disbursements	(224,602)
Other financing sources:	
Note proceeds, net of \$19,600 issuance costs	<u>1,100,400</u>
Change in cash balance	875,798
Cash balance beginning of year	<u>229,289</u>
Cash balance end of year	<u>\$ 1,105,087</u>
<b>Cash Basis Fund Balance</b>	
Restricted for rural improvement zone purposes	<u>\$ 1,105,087</u>
See notes to financial statements.	

Sundown Lake Rural Improvement Zone

Notes to Financial Statements

June 30, 2018

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

The Sundown Lake Rural Improvement Zone was formed August 5, 2014 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 Sundown Lake private development in rural Appanoose County.

A. Reporting Entity

For financial reporting purposes, the Sundown 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 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 fund.

The Rural Improvement Zone reports the following major governmental fund:

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 and debt service costs of the Rural Improvement Zone.

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, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**(3) Revenue Note**

On September 6, 2017, the Rural Improvement Zone issued a tax increment financing (TIF) revenue note for \$1,120,000 for the purpose of rural improvement zone projects. The note bears interest at 3.50% per annum and is payable solely from TIF receipts generated by the rural improvement zone. The note matures on December 1, 2025. A summary of the Rural Improvement Zone's June 30, 2018 tax increment financing revenue note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2019	3.50%	\$ 113,000	67,075	180,075
2020	3.50	146,000	33,968	179,968
2021	3.50	151,000	28,823	179,823
2022	3.50	156,000	23,485	179,485
2023	3.50	162,000	17,972	179,972
2024-2026	3.50	392,000	19,443	411,443
Total		\$ 1,120,000	190,766	1,310,766

**(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.

## **Other Information**

**Sundown Lake Rural Improvement Zone**

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Sundown Lake Rural Improvement Zone

Budgetary Comparison Schedule  
of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – General Fund

Other Information

Year ended June 30, 2018

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Tax increment financing	\$ 242,158	241,030	241,030	1,128
Disbursements:				
Maintenance and improvement	237,026	175,030	594,000	356,974
Debt service	229,734	291,000	291,000	61,266
Total disbursements	466,760	466,030	885,000	418,240
Excess of disbursements over receipts	(224,602)	(225,000)		
Other financing sources:				
Note proceeds	1,100,400	-		
Change in cash balance	875,798	(225,000)		
Cash balance beginning of year	229,289	243,151		
Cash balance end of year	\$ 1,105,087	18,151		

See accompanying independent auditor's report.

Sundown Lake Rural Improvement Zone

Notes to Other Information – Budgetary Reporting

June 30, 2018

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. During the year, one budget amendment increased budgeted disbursements by \$418,970. The budget amendment is reflected in the final budgeted amounts. Because the Rural Improvement Zone budget amendment form only allows for amendments to disbursements, the receipts were not amended to offset the increased disbursements. Accordingly, the beginning and ending balance information in the Final budget and the Final to Actual variance columns is not relevant.

Formal and legal budgetary control is based upon total General Fund disbursements.

During the year ended June 30, 2018, disbursements did not exceed the amount budgeted.



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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 Sundown 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 governmental activities and the major fund of the Sundown Lake Rural Improvement Zone as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the Rural Improvement Zone's basic financial statements, and have issued our report thereon dated October 24, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sundown 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 Sundown Lake Rural Improvement Zone's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sundown 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 Sundown 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. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sundown 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 an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Rural Improvement Zone's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Rural Improvement Zone. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Sundown Lake Rural Improvement Zone's Response to the Finding

Sundown Lake Rural Improvement Zone's response to the finding identified in our audit is described in the accompanying Schedule of Findings. Sundown Lake Rural Improvement Zone's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 Sundown Lake 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 24, 2018



Sundown Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2018

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over financial reporting were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Sundown Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2018

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Rural Improvement Zone money for travel expenses of spouses of Rural Improvement Zone officials or employees were noted.
- (4) Bond Coverage – Surety bond coverage for Board members is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (5) Rural Improvement Zone Minutes – No transactions were found that we believe should have been approved in the Rural Improvement Zone minutes but were not.
- (6) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, except as follows:

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 which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The Sundown Lake Rural Improvement Zone Board of Trustees will proceed to draft and adopt an investment policy as required by Chapter 12B.10B of the Code of Iowa.

Conclusion – Response accepted.

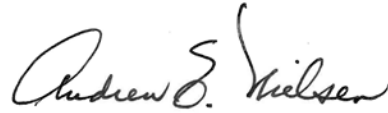
- (7) Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

Sundown Lake Rural Improvement Zone

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager  
Adjoa S. Adanledji, Staff Auditor  
Elin M. Landgren, 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