

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

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

October 31, 2019

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The Rural Improvement Zone's (RIZ) receipts totaled \$158,937 for the year ended June 30, 2019, a 34.4% decrease from the prior year. The RIZ also received note proceeds of \$1,443,925 during the fiscal year. Disbursements for the year ended June 30, 2019 totaled \$61,006, a 60.2% decrease from the prior year. The significant decrease in receipts is due to a decrease in tax increment financing receipts and the decrease in disbursements is due to projects completed in the previous fiscal year.

**AUDIT FINDINGS:**

Sand reported four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 20 through 23 of this report. The findings address issues such as a lack of segregation of duties, the lack of a resolution naming official depositories 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.

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.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports>.

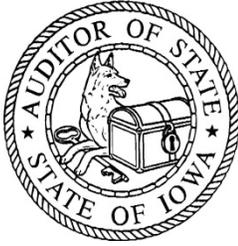
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**DIAMONDHEAD LAKE RURAL IMPROVEMENT ZONE**

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

**JUNE 30, 2019**

**Diamondhead Lake Rural Improvement Zone**



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October 22, 2019

Officials of the Diamondhead Lake Rural Improvement Zone  
Dexter, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Diamondhead Lake Rural Improvement Zone for the year ended June 30, 2019. The audit was performed pursuant to Chapter 357H.9A of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Diamondhead Lake Rural Improvement Zone throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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**Diamondhead Lake Rural Improvement Zone**

**Board of Trustees**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carl O'Connor	President	August 2020
Jesse Gonzales	Clerk	August 2019
Gary Neimanis	Treasurer	August 2019
Ron Baiotto	Trustee	August 2019
Terry Blair	Trustee	August 2020



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Independent Auditor's Report

To the Trustees of the Diamondhead 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 Diamondhead Lake Rural Improvement Zone, as of and for the year ended June 30, 2019, 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 statement 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 an opinion 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 Diamondhead Lake Rural Improvement Zone as of June 30, 2019, 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.

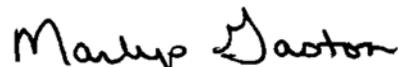
### Other Matters

#### *Other Information*

The Other Information, Budgetary Comparison Information on pages 16 through 17, 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 22, 2019 on our consideration of the Diamondhead 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 Diamondhead Lake Rural Improvement Zone's internal control over financial reporting and compliance.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

October 22, 2019

**Diamondhead Lake Rural Improvement Zone**

## **Basic Financial Statements**

**Exhibit A**

Diamondhead Lake Rural Improvement Zone  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position
		Charges for Service	Contributions and Restricted Interest	
<b>Functions/Programs:</b>				
Governmental activities:				
Maintenance and improvements:				
Dredging	\$ 30,249	-	-	(30,249)
Erosion control	26,679	-	-	(26,679)
Administration	980	-	-	(980)
Professional fees	3,098	-	-	(3,098)
Total	\$ 61,006	-	-	(61,006)
<b>General Receipts:</b>				
Tax increment financing				141,196
Unrestricted interest on investments				17,741
Note proceeds, net of \$46,075 issuance costs				1,443,925
Total general receipts				1,602,862
Change in cash basis net position				1,541,856
Cash basis net position beginning of year				80,478
Cash basis net position end of year				\$ 1,622,334
<b>Cash Basis Net Position</b>				
Restricted for rural improvement zone purposes				\$ 1,622,334

See notes to financial statements.

Diamondhead 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, 2019

	<u>General Fund</u>
Receipts:	
Tax increment financing	\$ 141,196
Use of money and property	<u>17,741</u>
Total receipts	<u>158,937</u>
Disbursements:	
Maintenance and improvement:	
Dredging	30,249
Erosion control	26,679
Administration	980
Professional fees	<u>3,098</u>
Total disbursements	<u>61,006</u>
Excess of receipts over disbursements	97,931
Other financing sources:	
Note proceeds, net of \$46,075 issuance costs	<u>1,443,925</u>
Change in cash balance	1,541,856
Cash balances beginning of year	<u>80,478</u>
Cash balances end of year	<u>\$ 1,622,334</u>
<b>Cash Basis Fund Balances</b>	
Restricted for rural improvement zone purposes	<u>\$ 1,622,334</u>

See notes to financial statements.

Diamondhead Lake Rural Improvement Zone

Notes to Financial Statements

June 30, 2019

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

The Diamondhead Lake Rural Improvement Zone was formed in October 1997 pursuant to the provisions of Chapter 357H of the Code of Iowa. The governing body of the Rural Improvement Zone is composed of five elected Trustees. The purpose of the Rural Improvement Zone is to manage maintenance and improvement of the Diamondhead Lake private development in rural Guthrie County.

A. Reporting Entity

For financial reporting purposes, the Diamondhead 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 the 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 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, 2019 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.

At June 30, 2018, an escrow agent held U.S. Treasury bills for the Rural Improvement Zone with a carrying amount and fair value of \$494,356 which matures in July 2019 and \$954,535 which matures in November 2019, for a total of \$1,448,891.

Interest Rate Risk – The Rural Improvement Zone's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year) to instruments that mature within 365 days. Excess funds may be invested in investments with maturities longer than 365 days, up to maximum of three years.

**(3) Revenue Note**

On November 28, 2018, the Rural Improvement Zone issued a tax increment financing (TIF) revenue note for \$1,490,000 for the purpose of rural improvement zone projects. The note bears interest at 4.15% per annum and is payable solely from TIF receipts generated by the rural improvement zone. The note matures on June 1, 2038. A summary of the Rural Improvement Zone’s June 30, 2019 tax increment financing revenue note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2020	4.15%	\$ 25,000	93,096	118,096
2021	4.15	56,000	60,798	116,798
2022	4.15	59,000	58,474	117,474
2023	4.15	61,000	56,025	117,025
2024	4.15	64,000	50,838	114,838
2025-2038	4.15	1,225,000	417,323	1,642,323
Total		\$ 1,490,000	736,554	2,226,554

**(4) Risk Management**

The Rural Improvement Zone is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member’s annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool’s general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool’s general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year’s member contributions.

The Rural Improvement Zone’s property and casualty contributions to the Pool are recorded as disbursements at the time of payment to the Pool. The Rural Improvement Zone’s contributions to the Pool for the year ended June 30, 2019 were \$1,243.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Rural Improvement Zone's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Rural Improvement Zone's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Rural Improvement Zone's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

**Diamondhead Lake Rural Improvement Zone**

## **Other Information**

Diamondhead 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, 2019

	Actual	Budgeted Amounts Original/ Final	Final Actual Variance
Receipts:			
Tax increment financing	\$ 141,196	148,000	(6,804)
Interest on investments	17,741	121	17,620
Total receipts	158,937	148,121	10,816
Disbursements:			
Maintenance and improvement	61,006	145,263	84,257
Total disbursements	61,006	145,263	84,257
Excess of receipts over disbursements	97,931	2,858	95,073
Other financing sources:			
Note proceeds	1,443,925	-	1,443,925
Change in cash balance	1,541,856	2,858	1,538,998
Cash balance beginning of year	80,478	37,092	43,386
Cash balance end of year	\$ 1,622,334	39,950	1,582,384

See accompanying independent auditor's report.

Diamondhead Lake Rural Improvement Zone

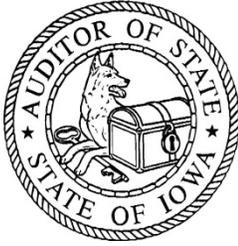
Notes to Other Information – Budgetary Reporting

June 30, 2019

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 General Fund disbursements.

During the year ended June 30, 2019, disbursements did not exceed the amount budgeted.



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Telephone (515) 281-5834 Facsimile (515) 281-6518

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 Diamondhead 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 Diamondhead Lake Rural Improvement Zone as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, and have issued our report thereon dated October 22, 2019. 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 Diamondhead 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 Diamondhead Lake Rural Improvement Zone's internal control. Accordingly, we do not express an opinion on the effectiveness of the Diamondhead 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 Diamondhead 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 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 Diamondhead 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, 2019 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.

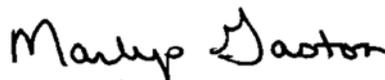
## Diamondhead Lake Rural Improvement Zone's Responses to the Findings

Diamondhead Lake Rural Improvement Zone's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Diamondhead 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 Diamondhead 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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

October 22, 2019

Diamondhead Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2019

**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 individual. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the Rural Improvement Zone’s financial statements.

Condition – Generally, one individual has control over each of the following areas:

- (1) Accounting system – Performance of all accounting functions and having custody of assets.
- (2) Disbursements – Processing of claims, check writing, signing and posting.

Cause – The Rural Improvement Zone has not designed procedures to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Rural Improvement Zone’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by individuals in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Rural Improvement Zone should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available Board of Trustees members.

Response – Invoices presented for payment are reviewed by a quorum of the Board at every monthly meeting. The monthly financial report which summarizes both invoices approved for payment and checks posted to the bank account from the previous month will have a section added to allow for all Board members to initial and indicate acknowledgement of their review of current activity.

Conclusion – Response acknowledged.

Diamondhead Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2019

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Diamondhead Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2019

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amount 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 – Except as noted, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted, except as follows:

The Rural Improvement Zone has not adopted a resolution naming official depositories as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The Rural Improvement Zone should establish a resolution naming official depositories in amounts sufficient to cover anticipated balances in accordance with Chapter 12C.2 of the Code of Iowa.

Response – The Rural Improvement Zone will adopt a depository resolution, which will be reviewed and renewed on an annual basis.

Conclusion – Response accepted.

- (7) Annual Urban Renewal Report (AURR) – 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 debt outstanding on the Levy Authority Summary was understated by \$5,000.

Recommendation – The Rural Improvement Zone should ensure the amounts reported on the Levy Authority Summary agree with Rural Improvement Zone’s records.

Response – We understand the issue and will resolve it going forward.

Conclusion – Response accepted.

Diamondhead Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2019

- (8) 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 Rural Improvement Zone will seek obtaining images of the back of cancelled checks.

Conclusion – Response accepted.

Diamondhead Lake Rural Improvement Zone

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Tammy A. Hollingsworth, CIA, Manager  
Cody J. Pifer, Staff Auditor