

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

October 28, 2020

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 receipts totaled \$172,812 for the year ended June 30, 2020, a 89.2% decrease from the prior year. Disbursements for the year ended June 30, 2020 totaled \$266,940, a 337.6% increase over the prior year. The decrease in receipts is due to note proceeds received in the prior year and the significant increase in disbursements is due to dredging and erosion control projects started in the fiscal year. Additionally, principal and interest payments for the \$1,490,000 note issued during the prior fiscal year began during this fiscal year.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and disbursement of taxpayer funds. They are found on pages 20 through 22 of this report. The findings address a lack of segregation of duties and disbursements exceeding the budget. Sand provided the Rural Improvement Zone with recommendations to address each of the findings.

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

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>.

#

DIAMONDHEAD LAKE RURAL IMPROVEMENT ZONE

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

JUNE 30, 2020

Diamondhead Lake Rural Improvement Zone



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Des Moines, Iowa 50319-0004

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

October 3, 2020

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, 2020. 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 that reads "Rob Sand". The signature is stylized and cursive.

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	January 2021
Jesse Gonzales	Clerk	January 2023
Gary Neimanis	Treasurer	January 2023
Ron Baiotto	Trustee	January 2022
Terry Blair	Trustee	Resigned March 2020
Marc Van Houten (Appointed June 2020)	Trustee	January 2021



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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 the major fund of the Diamondhead Lake Rural Improvement Zone, as of and for the year ended June 30, 2020, 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, 2020, 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.

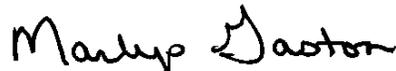
Other Matters

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 3, 2020 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 3, 2020

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, 2020

	Program Receipts			Net (Disbursements)
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Receipts and Changes in Cash Basis Net Position Governmental Activities
Functions/Programs:				
Governmental activities:				
Maintenance and improvements:				
Dredging	\$ 101,273	-	-	(101,273)
Erosion control	42,326	-	-	(42,326)
Administration	1,567	-	-	(1,567)
Professional fees	3,642	-	-	(3,642)
Debt service:	118,096	-	-	(118,096)
Total	\$ 266,904	-	-	(266,904)
General Receipts:				
Tax increment financing				153,941
Unrestricted interest on investments				18,574
Miscellaneous				297
Total general receipts				172,812
Change in cash basis net position				(94,092)
Cash basis net position beginning of year				1,622,334
Cash basis net position end of year				\$ 1,528,242
Cash Basis Net Position				
Restricted for rural improvement zone purposes				\$ 1,528,242

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, 2020

	<u>General Fund</u>
Receipts:	
Tax increment financing	\$ 153,941
Use of money and property	18,574
Miscellaneous	297
Total receipts	<u>172,812</u>
Disbursements:	
Maintenance and improvement:	
Dredging	101,273
Erosion control	42,326
Administration	1,567
Professional fees	3,642
Debt service:	
Loan principal repayments	25,000
Interest on loan	93,096
Total disbursements	<u>266,904</u>
Deficiency of receipts under disbursements	(94,092)
Cash balances beginning of year	<u>1,622,334</u>
Cash balances end of year	<u>\$ 1,528,242</u>
Cash Basis Fund Balances	
Restricted for rural improvement zone purposes	<u>\$ 1,528,242</u>

See notes to financial statements.

Diamondhead Lake Rural Improvement Zone

Notes to Financial Statements

June 30, 2020

(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. During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the maintenance and improvement program.

(2) Cash and Investments

The Rural Improvement Zone's deposits in banks at June 30, 2020 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, 2020, an escrow agent held U.S. Treasury bills for the Rural Improvement Zone with a carrying amount and fair value of \$201,396 which matures in July 2020 and \$1,276,962 which matures in November 2020 for a total of \$1,478,358.

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, 2020 tax increment financing revenue note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	4.15	66,000	50,838	116,838
2026-2030	4.15	375,000	210,612	585,612
2031-2035	4.15	460,000	125,994	585,994
2036-2038	4.15	324,000	27,224	351,224
Total		<u>\$ 1,465,000</u>	<u>640,803</u>	<u>2,105,803</u>

(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 779 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, 2020 were \$1,293.

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.

(5) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Diamondhead Lake Rural Improvement Zone, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Rural Improvement Zone. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonable estimate the potential impact to the Diamondhead Lake Rural Improvement Zone's operations and finances.

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 – General Fund

Other Information

Year ended June 30, 2020

		Budgeted Amounts	Final
	Actual	Original/ Final	Actual Variance
Receipts:			
Tax increment financing	\$ 153,941	148,000	5,941
Interest on investments	18,574	120	17,620
Miscellaneous	297	-	297
Total receipts	<u>172,812</u>	<u>148,120</u>	<u>23,858</u>
Disbursements:			
Maintenance and improvement	148,808	145,263	(3,545)
Debt service	118,096	118,096	-
Total disbursements	<u>266,904</u>	<u>263,359</u>	<u>-</u>
Deficiency of receipts under disbursements	(94,092)	(115,239)	21,147
Cash balance beginning of year	<u>1,622,334</u>	<u>43,080</u>	<u>1,579,254</u>
Cash balance end of year	<u>\$ 1,528,242</u>	<u>(72,159)</u>	<u>1,600,401</u>

See accompanying independent auditor's report.

Diamondhead Lake Rural Improvement Zone

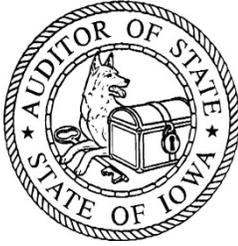
Notes to Other Information – Budgetary Reporting

June 30, 2020

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, 2020, disbursements exceeded the amount budgeted for maintenance and improvement.



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of 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, 2020, and the related Notes to Financial Statements, and have issued our report thereon dated October 3, 2020. 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 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 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, 2020 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.

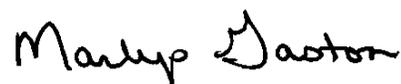
Diamondhead Lake Rural Improvement Zone's Responses to the Findings

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 statements 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 3, 2020

Diamondhead Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2020

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 to provide additional control through review of financial transactions, reconciliations and reports.

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. Going forward, additional practices will be put in place to further create segregation of duties as it relates to expenditures and investment activities and other appropriate areas.

Conclusion – Response acknowledged.

Diamondhead Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2020

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Diamondhead Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amount budgeted in the maintenance and improvements by \$3,545.

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

Response – We will begin tracking expenditures and compare them against the budget, if necessary, the budget will be amended to ensure the Diamondhead Lake Rural Improvement Zone is in-compliance.

Conclusion – Response accepted.

- (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) Restricted Donor Activity – No transactions were noted between the Board of Trustees, Rural Improvement Zone officials, Rural Improvement Zone employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (5) 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.
- (8) 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.

Diamondhead Lake Rural Improvement Zone

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Deborah J. Moser, CPA, Manager
Corey D. Hauptmann, Staff Auditor