



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

November 28, 2016

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Contact: Andy Nielsen  
515/281-5834

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

The Rural Improvement Zone had total receipts of \$238,977 for the year ended June 30, 2016, including tax increment financing receipts of \$232,018 and other receipts of \$6,959.

Disbursements for the year ended June 30, 2016 totaled \$279,594, including \$253,778 for erosion control, \$18,000 for debt service and \$4,248 for water quality.

A copy of the audit report is available for review in the Holiday Lake Rural Improvement Zone office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1615-0200-B00F>.

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**HOLIDAY LAKE RURAL IMPROVEMENT ZONE**

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

**JUNE 30, 2016**

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**Holiday Lake Rural Improvement Zone**

**Board of Trustees**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Beumer	President	August 2017
Del Sherwood	Clerk	August 2017
Richard Happe	Treasurer	August 2018
Jim Patten	Trustee	August 2016
Ron Snyder	Trustee	August 2018

**Holiday Lake Rural Improvement Zone**



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Independent Auditor's Report

To the Trustees of the Holiday Lake Rural Improvement Zone:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Holiday Lake Rural Improvement Zone as of and for the year ended June 30, 2016, and the related Notes to Financial Statement, which collectively comprise the Rural Improvement Zone's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Rural Improvement Zone's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rural Improvement Zone's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the governmental activities and each major fund of the Holiday Lake Rural Improvement Zone as of June 30, 2016, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, the financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Other Information*

The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 10 and 19 through 20, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2016 on our consideration of the Holiday Lake Rural Improvement Zone's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Holiday Lake Rural Improvement Zone's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

November 15, 2016

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

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The Holiday Lake Improvement Zone provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Holiday Lake Rural Improvement Zone is for the year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Rural Improvement Zone's financial statements, which follow.

### **2016 FINANCIAL HIGHLIGHTS**

- Receipts were \$238,977, and included tax increment financing receipts of \$232,018.
- Disbursements were \$279,594, and included \$253,778 for erosion control and \$18,000 for debt service.
- The Rural Improvement Zone's cash balance decreased 37%, or \$40,617, from June 30, 2015 to June 30, 2016.

### **USING THIS ANNUAL REPORT**

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

- Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Rural Improvement Zone's financial activities.
- The Entity-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the Rural Improvement Zone as a whole and presents an overall view of the Rural Improvement Zone's finances.
- The Fund Financial Statement tells how governmental services were financed in the short term as well as what remains for future spending. The fund financial statement reports the Rural Improvement Zone's operations in more detail than the entity-wide financial statement.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.
- Other Information further explains and supports the financial statements with a comparison of the Rural Improvement Zone's budget for the year.

## **BASIS OF ACCOUNTING**

The Rural Improvement Zone maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Rural Improvement Zone are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE RURAL IMPROVEMENT ZONE'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the Rural Improvement Zone's finances is, "Is the Rural Improvement Zone as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the Rural Improvement Zone's net position. Over time, increases or decreases in the Rural Improvement Zone's net position may serve as a useful indicator of whether the financial position of the Rural Improvement Zone is improving or deteriorating.

### *Fund Financial Statement*

Governmental funds account for the Rural Improvement Zone's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Debt Service Fund. The governmental fund financial statement provides a detailed, short-term view of the Rural Improvement Zone's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Rural Improvement Zone's programs.

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

## ENTITY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The Rural Improvement Zone's cash balance decreased, decreasing from \$109,803 to \$69,186. 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, 2016
Receipts:	
General receipts:	
Tax increment financing	\$ 232,018
Unrestricted interest on investments	101
Sale of land	6,858
Total receipts	<u>238,977</u>
Disbursements:	
Maintenance and improvements:	
Erosion control	253,778
Land acquisition	750
Water quality	4,248
Administration	1,414
Professional fees	1,404
Interest on long-term debt	18,000
Total disbursements	<u>279,594</u>
Change in cash basis net position	(40,617)
Cash basis net position beginning of year	<u>109,803</u>
Cash basis net position end of year	<u><u>\$ 69,186</u></u>

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the Holiday Lake Rural Improvement Zone completed the year, its governmental funds reported a combined fund balance of \$69,186, a decrease of \$40,617 from last year's total of \$109,803. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$40,617 from the prior year to \$69,186. Approximately \$34,000 of this decrease was due to erosion control costs increasing approximately \$104,000 and land acquisition and debt service decreasing approximately \$23,000 and \$47,000, respectively.
- The Debt Service Fund does not maintain a cash balance. Transfers are made from the General Fund to the Debt Service Fund for debt payments. During the year ended June 30, 2016, interest of \$18,000 was paid.

## **BUDGETARY HIGHLIGHTS**

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

For the year ended June 30, 2016, the Rural Improvement Zone disbursements exceeded the amount budgeted in the maintenance and improvement program.

## **DEBT ADMINISTRATION**

The Rural Improvement Zone had \$350,000 of long-term debt outstanding at June 30, 2016 and June 30, 2015.

The Constitution of the State of Iowa limits the amount of general obligation debt which can be issued to 5% of the assessed value of all taxable property within the Rural Improvement Zone. The Rural Improvement Zone's outstanding debt of \$350,000 is significantly below its constitutional debt limit of approximately \$3.0 million. Additional information about the Rural Improvement Zone's long-term debt is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Holiday Lake Rural Improvement Zone's elected officials considered many factors when setting the fiscal year 2017 budget. Budgeted disbursements are expected to increase approximately \$117,000 over the fiscal year 2016 actual disbursements due to an increase in debt payments. The total ending fund balance is expected to be approximately \$98,000 at June 30, 2017.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Rural Improvement Zone's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Holiday Lake Rural Improvement Zone, PO Box 24, Brooklyn, Iowa 52211.

## **Basic Financial Statements**

**Exhibit A**

Holiday Lake Rural Improvement Zone  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2016

	Program Receipts			Net (Disbursements)
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Receipts and Changes in Cash Basis Net Position Governmental Activities	Receipts and Changes in Cash Basis Net Position Governmental Activities
<b>Functions/Programs:</b>				
Governmental activities:				
Maintenance and improvements:				
Erosion control	\$ 253,778	-	-	(253,778)
Land acquisition	750	-	-	(750)
Water quality	4,248	-	-	(4,248)
Administration	1,414	-	-	(1,414)
Professional fees	1,404	-	-	(1,404)
Interest on long-term debt	18,000	-	-	(18,000)
Total	<u>\$ 279,594</u>	<u>-</u>	<u>-</u>	<u>(279,594)</u>
<b>General Receipts:</b>				
Tax increment financing				232,018
Unrestricted interest on investments				101
Sale of land				<u>6,858</u>
Total general receipts				<u>238,977</u>
Change in cash basis net position				(40,617)
Cash basis net position beginning of year				<u>109,803</u>
Cash basis net position end of year				<u>\$ 69,186</u>
<b>Cash Basis Net Position</b>				
Restricted for rural improvement zone purposes				<u>\$ 69,186</u>

See notes to financial statements.

Holiday Lake Rural Improvement Zone

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

As of and for the year ended June 30, 2016

	Special Revenue		Total
	General	Debt Service	
Receipts:			
Tax increment financing	\$ 232,018	-	232,018
Use of money and property	101	-	101
Total receipts	232,119	-	232,119
Disbursements:			
Maintenance and improvement:			
Erosion control	253,778	-	253,778
Land acquisition	750	-	750
Water quality	4,248	-	4,248
Administrative fees	1,414	-	1,414
Professional fees	1,404	-	1,404
Interest on long-term debt	-	18,000	18,000
Total disbursements	261,594	18,000	279,594
Deficiency of receipts under disbursements	(29,475)	(18,000)	(47,475)
Other financing sources (uses):			
Sale of land	6,858	-	6,858
Transfers in	-	18,000	18,000
Transfers out	(18,000)	-	(18,000)
Total other financing sources (uses)	(11,142)	18,000	6,858
Change in cash balances	(40,617)	-	(40,617)
Cash balances beginning of year	109,803	-	109,803
Cash balances end of year	\$ 69,186	-	69,186
<b>Cash Basis Fund Balances</b>			
Restricted for rural improvement purposes	\$ 69,186	-	69,186

See notes to financial statements.

Holiday Lake Rural Improvement Zone

Notes to Financial Statements

June 30, 2016

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

The Holiday Lake Rural Improvement Zone was formed in 2010 pursuant to the provisions of Chapter 357H of the Code of Iowa. The governing body of the Rural Improvement Zone is composed of five elected Trustees. The purpose of the Rural Improvement Zone is to manage maintenance and improvement of the Holiday Lake private development in rural Poweshiek County.

A. Reporting Entity

For financial reporting purposes, the Holiday Lake Rural Improvement Zone has included all funds, organizations, agencies, boards, commissions and authorities. The Rural Improvement Zone has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Rural Improvement Zone are such that exclusion would cause the Rural Improvement Zone's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the rural Improvement Zone to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Rural Improvement Zone. The Rural Improvement Zone has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the Rural Improvement Zone. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities are supported by tax revenues.

Net position is reported in the following categories:

Restricted net position is used to manage maintenance and improvement of the Rural Improvement Zone.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Tax increment financing receipts and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Rural Improvement Zone reports the following major governmental funds:

The General Fund is the special fund in which all tax increment financing receipts and other receipts are deposited. The fund pays the maintenance and improvement costs of the Rural Improvement Zone.

The Debt Service Fund is utilized to account for the payment of interest and principal on the Rural Improvement Zone's general long-term debt.

C. Measurement Focus and Basis of Accounting

The Rural Improvement Zone maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Rural Improvement Zone are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Rural Improvement Zone in accordance with U. S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budget comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, 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, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**(3) Loans Payable**

On November 29, 2013, the Rural Improvement Zone issued a promissory note to R.M. Clayton, Jr. and Jeanne Clayton for \$100,000 with interest of 5.00% per annum payable annually on November 29. The note matured on November 29, 2014 but was extended until November 29, 2016. During the year ended June 30, 2016, the Rural Improvement Zone paid \$5,000 of interest on the note.

On November 29, 2013, the Rural Improvement Zone issued a promissory note to Esther Brannian for \$200,000 with interest of 5.00% per annum payable annually on November 29. The note matured November 29, 2014 but \$150,000 of the note was extended until November 29, 2016. During the year ended June 30, 2016, the Rural Improvement Zone paid \$7,500 of interest on the note.

On July 10, 2014, the Rural Improvement Zone issued a promissory note to the Holiday Lake Owners Association, Inc. for \$100,000 with interest of 5.50% per annum payable annually on July 10. The note matured on July 10, 2015 but was extended until July 10, 2016. During the year ended June 30, 2016, the Rural Improvement Zone paid \$5,500 of interest on the note. On July 10, 2016, \$50,000 of the note was extended until July 10, 2017.

**(4) Risk Management**

The Rural Improvement Zone is exposed to various risks of loss related to torts; theft; and errors or omissions. The Rural Improvement Zone does not carry insurance to cover potential losses in these areas. The Rural Improvement Zone has not paid any claims for these risks in the past three fiscal years.

**(5) Subsequent Event**

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

## **Other Information**

**Holiday Lake Rural Improvement Zone**

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Holiday Lake Rural Improvement Zone

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

Other Information

Year ended June 30, 2016

	Actual	Budgeted Amounts Original/ Final	Final Actual Variance
Receipts:			
Tax increment financing	\$ 232,018	230,792	1,226
Interest on investments	101	185	(84)
Miscellaneous	6,858	-	6,858
Total receipts	238,977	230,977	8,000
Disbursements:			
Maintenance and improvement	261,594	230,000	(31,594)
Interest on long-term debt	18,000	162,500	144,500
Total disbursements	279,594	392,500	112,906
Excess of disbursements over receipts	(40,617)	(161,523)	120,906
Other financing sources	-	100,000	(100,000)
Excess of disbursements over receipts and other financing uses	(40,617)	(61,523)	20,906
Cash balance beginning of year	109,803	110,598	(795)
Cash balance end of year	\$ 69,186	49,075	20,111

See accompanying independent auditor's report.

Holiday Lake Rural Improvement Zone  
Notes to Other Information – Budgetary Reporting

June 30, 2016

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

Formal and legal budgetary control is based upon total disbursements by fund. Disbursements required to be budgeted include disbursements for the General Fund and the Debt Service Fund. During the year, no budget amendments increased budgeted disbursements.

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the maintenance and improvement program.

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

**Holiday Lake Rural Improvement Zone**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Auditor of State

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Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Trustees of the Holiday Lake Rural Improvement Zone:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Holiday Lake Rural Improvement Zone as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, and have issued our report thereon dated November 15, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Holiday Lake Rural Improvement Zone's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Holiday Lake Rural Improvement Zone's internal control. Accordingly, we do not express an opinion on the effectiveness of the Holiday Lake Rural Improvement Zone's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Holiday Lake Rural Improvement Zone's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency, in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Holiday Lake Rural Improvement Zone's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Rural Improvement Zone's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Rural Improvement Zone. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

Holiday Lake Rural Improvement Zone's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Holiday Lake Rural Improvement Zone's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Rural Improvement Zone's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Rural Improvement Zone's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Holiday Rural Improvement Zone during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

November 15, 2016

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2016

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – During our review of the internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same Trustee. This segregation of duties helps to prevent losses from Trustee error or dishonesty and therefore maximizes the accuracy of the Rural Improvement Zone's financial statements. One person has primary control over the processing of invoices, check preparation and signing, and bank reconciling. In addition, the bank reconciliations are not reviewed by an independent person for propriety.

Recommendation – We realize segregation of duties is difficult with a limited number of Trustees. However, the Board should review their operating procedures to obtain the maximum internal control possible under the circumstances. The Board should utilize current members to provide additional control through review of cancelled checks and bank reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The bank statements and reconciliations are presented monthly to the entire Board by the Treasurer. Going forward, the President or Clerk will initial the bank statements and reconciliations to evidence the date of the review by a second officer.

Conclusion – Response accepted.

- (B) Liability Insurance – The Rural Improvement Zone does not carry liability insurance.

Recommendation – The Rural Improvement Zone should review its risk exposure and consider whether liability insurance should be obtained.

Response – The Rural Improvement Zone is in the process of obtaining coverage.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2016

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

- (1) Certified Budget – Disbursements during the year ended June 30, 1992 exceeded the amount budgeted in the maintenance and improvement program.

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

Response – In the future the Board will adjust the budget as needed.

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) Bond Coverage – The Rural Improvement Zone does not have surety bond coverage for Board members who handle financial transactions.

Recommendation – Surety bond coverage should be obtained as required by Chapter 64.8 of the Code of Iowa.

Response – We have now obtained surety bond coverage for the Trustees.

Conclusion – Response accepted.

- (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:

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

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

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

Conclusion – Response accepted.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2016

- (7) Annual Urban Renewal Report – The Annual Urban Renewal Report was not certified to the Iowa Department of Management on or before December 1.

In addition, the amount reported as TIF debt outstanding excluded a \$100,000 promissory note entered into in July 2014.

Recommendation – The Rural Improvement Zone should file the Annual Urban Renewal Report timely and ensure the debt amounts reported are accurate.

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

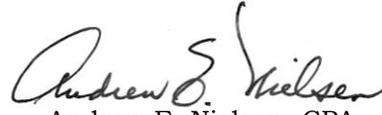
Conclusion – Response accepted.

Holiday Lake Rural Improvement Zone

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Kyle C. Smith, CPA, Senior Auditor  
Grant W. Pomerenk, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State