



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

November 5, 2021

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 \$229,836 for the year ended June 30, 2021, a 33.0% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$1,356,614, a 408.2% increase over the prior year. The increase in receipts is due to additional tax incremental financing received in the current year to pay off a debt issuance from fiscal year 2019 and the significant increase in disbursements is due to a dredging project started in the fiscal year and dredging equipment purchased in the current year.

AUDIT FINDINGS:

Sand reported one finding related to the receipt and disbursement of taxpayer funds. The finding is found on pages 20 and 21 of this report. The finding addresses non-compliance related to a dredge lease. Sand provided the Rural Improvement Zone with a recommendation to address the finding.

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, 2021

Diamondhead Lake Rural Improvement Zone



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September 30, 2021

Officials of the Diamondhead Lake Rural Improvement Zone
Dexter, Iowa

Dear Trustees:

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, 2021. 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

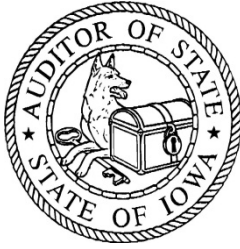
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Diamondhead Lake Rural Improvement Zone

Board of Trustees

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carl O'Connor	President	January 2024
Jesse Gonzales	Clerk	January 2023
Gary Neimanis	Treasurer	January 2023
Ron Baiotto	Trustee	Resigned August 2021
Andrew Sawyers (Appointed August 2021)	Trustee	January 2022
Marc Van Houten	Trustee	January 2024



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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, 2021, 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, 2021, 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.

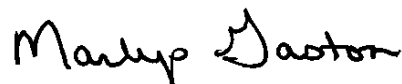
Other Matters

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 September 30, 2021 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

September 30, 2021

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, 2021

	<u>Program Receipts</u>		Net (Disbursements)
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Receipts and Changes in Cash Basis Net Position
Functions/Programs:	<u>Disbursements</u>		<u>Governmental Activities</u>
Governmental activities:			
Maintenance and improvements:			
Dredging	\$ 588,662	-	(588,662)
Erosion control	77,506	-	(77,506)
Administration	2,985	-	(2,985)
Professional fees	3,564	-	(3,564)
Debt service:	116,798	-	(116,798)
Capital outlay	567,099	-	(567,099)
Total	<u>\$ 1,356,614</u>	-	<u>(1,356,614)</u>
General Receipts:			
Tax increment financing			228,725
Unrestricted interest on investments			423
Miscellaneous			688
Total general receipts			<u>229,836</u>
Change in cash basis net position			(1,126,778)
Cash basis net position beginning of year			<u>1,528,242</u>
Cash basis net position end of year			<u>\$ 401,464</u>
Cash Basis Net Position			
Restricted for rural improvement zone purposes			<u>\$ 401,464</u>

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, 2021

	General Fund
Operating receipts:	
Tax increment financing	\$ 228,725
Miscellaneous	688
Total operating receipts	<u>229,413</u>
Operating disbursements:	
Maintenance and improvement:	
Dredging	588,662
Erosion control	77,506
Administration	2,985
Professional fees	3,564
Total operating disbursements	<u>672,717</u>
Deficiency in operating receipts under operating disbursements:	(443,304)
Non-operating receipts (disbursements):	
Interest and investment income	423
Debt service:	
Loan principal repayments	(56,000)
Interest on loan	(60,798)
Capital outlay	<u>(567,099)</u>
Net non-operating receipts (disbursements)	<u>(683,474)</u>
Deficiency of receipts under disbursements	(1,126,778)
Cash balances beginning of year	<u>1,528,242</u>
Cash balances end of year	<u>\$ 401,464</u>
Cash Basis Fund Balances	
Restricted for rural improvement zone purposes	<u>\$ 401,464</u>

See notes to financial statements.

Diamondhead Lake Rural Improvement Zone

Notes to Financial Statements

June 30, 2021

(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, 2021, 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, 2021 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, 2021, an escrow agent held U.S. Treasury bills for the Rural Improvement Zone with a carrying amount and fair value of \$52,814 which matures in July 2021 and \$348,650 which matures in December 2021 for a total of \$401,464.

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

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Revenue note	\$ 1,465,000	-	56,000	\$ 1,409,000

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. During the year ended June 30, 2021, the Trustees paid principal of \$56,000 and interest of \$60,978 on the note. The note matures on June 1, 2038.

A summary of the annual principal and interest requirements to maturity is as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending</u>	<u>Rates</u>			
<u>June 30,</u>				
2022	4.15%	\$ 59,000	58,474	117,474
2023	4.15	61,000	56,025	117,025
2024	4.15	64,000	53,493	117,493
2025	4.15	66,000	50,838	116,838
2026	4.15	69,000	48,099	117,099
2027-2031	4.15	391,000	195,050	586,050
2032-2036	4.15	479,000	106,904	585,904
2037-2038	4.15	220,000	13,778	233,778
Total		\$ 1,409,000	582,661	1,991,661

(4) Risk Management

The Rural Improvement Zone is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors or omissions; and natural disasters. These risks are covered by the purchase of commercial insurance. The Rural Improvement Zone assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past two fiscal years.

(5) Dredge Equipment Lease

On April 24, 2021, Diamondhead Lake Rural Improvement Zone entered into a dredge lease agreement with the Long Branch Maintenance Corporation (LBMC). The term of the lease commenced on May 1, 2021 and terminates on April 30, 2022. The lease provides for LBMC to lease and operate the dredge equipment for a term of 1 year. In the event the dredge becomes inoperable during the lease term, once repairs are made and the dredge becomes operable, the lease term should be extended by the time the dredge was inoperable. The purpose of the agreement is to provide dredging services related to public need on Diamondhead Lake. The lease agreement required a lease payment of \$10 for the dredge and a security deposit of \$1,000.

Pursuant to the lease agreement, LBMC will remove silt from Diamondhead Lake in Dexter, Iowa according to a dredge plan to be reviewed and approved by the Rural Improvement Zone in advance of operation of the Dredge. LBMC is required to remove not less than 75,000 cubic yards of silt during the lease term, subject to weather, the condition of the dredge, and water level conditions as reasonably determined by the parties to the agreement. In addition, LBMC agrees to perform not less than 40 hours of dredging to Diamondhead Lake per week, subject to the total cubic yardage requirement. The lease requires LBMC within five business days following the end of each month, to provide the Rural Improvement Zone a report showing the cubic yards of silt removed during the month, area of removal, depth of dredging in the area, engine hours on the dredge, crew man hours, fuel gallons used, dredge repair and maintenance work and any additional information agreed upon. LBMC is responsible for all liability insurance coverage, all maintenance and repair costs that may be needed, and all labor costs incurred while dredging. Diamondhead Rural Improvement Zone is responsible for fuel up to a total amount of \$32,000 and engaging a crane contractor to assist with the removal of the dredge from the lake.

(6) 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 reasonably 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, 2021

	Budgeted Amounts			Final Actual Variance
	Actual	Original	Final	
Receipts:				
Tax increment financing	\$ 228,725	216,798	216,798	11,927
Interest on investments	423	15,000	15,000	(14,577)
Miscellaneous	688	-	-	688
Total receipts	<u>229,836</u>	<u>231,798</u>	<u>231,798</u>	<u>(1,962)</u>
Disbursements:				
Debt payments	116,798	116,798	116,798	-
Erosion control	77,506	100,000	100,000	(22,494)
Administration	2,985	5,000	5,000	(2,015)
Dredging	1,155,761	1,000,000	1,200,000	(44,239)
Professional fees	3,564	80,000	80,000	(76,436)
Total disbursements	<u>1,356,614</u>	<u>1,301,798</u>	<u>1,501,798</u>	<u>(145,184)</u>
Deficiency of receipts under disbursements	(1,126,778)	(1,070,000)	(1,270,000)	143,222
Cash balance beginning of year	<u>1,528,242</u>	<u>1,477,321</u>	<u>1,477,321</u>	<u>50,921</u>
Cash balance end of year	<u>\$ 401,464</u>	<u>407,321</u>	<u>207,321</u>	<u>194,143</u>

See accompanying independent auditor's report.

Diamondhead Lake Rural Improvement Zone

Notes to Other Information – Budgetary Reporting

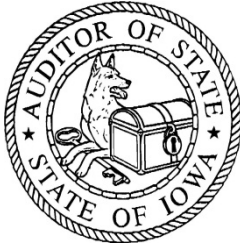
June 30, 2021

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, one budget amendment increased budgeted disbursements by \$200,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements did not exceed amounts budgeted.



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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, 2021, and the related Notes to Financial Statements, and have issued our report thereon dated September 30, 2021. 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 over financial reporting was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, 2021 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.

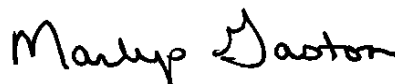
Diamondhead Lake Rural Improvement Zone's Response to the Finding

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the 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

September 30, 2021

Diamondhead Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2021

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Diamondhead Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amount budgeted in the maintenance and improvements and debt categories.
- (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 the Trustees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Trustee Minutes – No transactions were found that we believe should have been approved in the Trustee 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.
- (9) LBMC Leasing Agreement – On April 24, 2021, the Trustees entered into a lease agreement with the Long Branch Maintenance Corporation (LBMC) from May 1, 2021 to April 30, 2022. The lease agreement required a lease payment of \$10 for the dredge equipment and a security deposit of \$1,000. Diamondhead Rural Improvement zone has not received the lease payment or the security deposit from LBMC.

Additionally, the lease requires LMBC to remove not less than 75,000 cubic yards of silt during the lease term. In addition, LMBC agrees to perform not less than 40 hours of dredging to Diamondhead lake per week, subject to the total cubic yardage requirement. There are no procedures in place to track the terms of lease to ensure compliance.

Recommendation – The Trustees should request reports of dredging done from LBMC in order to monitor and reconcile dredging done and left to be done. Additionally, the Trustees should collect the payments due from LBMC from leasing the dredge.

Response – We will begin tracking hours worked by LBMC and monitor the dredging being performed by periodically scanning the lake. Additionally, we have requested the lease payment and security deposit from LBMC.

Conclusion – Response accepted.

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