



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

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

January 20, 2023

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

FINANCIAL HIGHLIGHTS:

The Rural Improvement Zone (RIZ) had total receipts of \$889,910 for the year ended June 30, 2022, a 13% increase over the prior year. Disbursements for the year ended June 30, 2022 totaled \$955,807, a 34% increase over the prior year. The increase in receipts and disbursements is primarily due to the RIZ paying off one line of credit with a new line of credit in fiscal year 2022.

AUDIT FINDINGS:

Sand reported four 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, disbursements exceeding budgeted amounts, the Annual Urban Renewal Report not being properly approved by the Rural Improvement Zone Trustees and payment of late fees on a line of credit. Sand provided the Rural Improvement Zone with recommendations to address each of the findings.

Two of the four findings discussed above are repeated from the prior year. The Rural Improvement Zone Trustees have a fiduciary responsibility to provide oversight of the Rural Improvement Zone 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 [Audit Report – Auditor of State](#).

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HOLIDAY LAKE RURAL IMPROVEMENT ZONE

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

JUNE 30, 2022

Holiday Lake Rural Improvement Zone



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

Rob Sand
Auditor of State

December 7, 2022

Officials of the Holiday Lake Rural Improvement Zone
Brooklyn, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Holiday Lake Rural Improvement Zone for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 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 of the Holiday Lake Rural Improvement Zone throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand
Auditor of State

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Holiday Lake Rural Improvement Zone

Board of Trustees

(Before August 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Storm	President	August 2021
Todd Eiler	Clerk	August 2023
Richard Happe	Treasurer	August 2021
Tom Dvorsky	Trustee	August 2023
Cliff Rhoads	Trustee	August 2021

(After August 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Storm	President	August 2024
Todd Eiler	Clerk	August 2023
Richard Happe	Treasurer	August 2024
Tom Dvorsky	Trustee	August 2023
Jim Patten	Trustee	Resigned June 2022

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Holiday Lake Rural Improvement Zone, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the Rural Improvement Zone's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the major fund of Holiday Lake Rural Improvement Zone as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Holiday Lake Rural Improvement Zone, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Holiday Lake Rural Improvement Zone's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Holiday Lake Rural Improvement Zone's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Holiday Lake Rural Improvement Zone's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

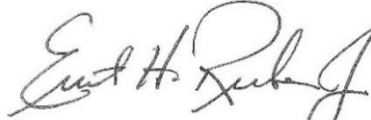
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information on pages 16 and 17 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2022 on our consideration of the Holiday Lake Rural Improvement Zone's internal control over financial reporting and on 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 Rural Improvement Zone's 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 Holiday Lake Rural Improvement Zone's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

December 7, 2022

Holiday Lake Rural Improvement Zone

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, 2022

	Disbursements	Program Receipts		Net (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	\$ 106,460	-	-	(106,460)
Erosion control	135,565	-	-	(135,565)
Water quality	22,445	-	-	(22,445)
Administration	3,514	-	-	(3,514)
Professional fees	13,979	-	-	(13,979)
Debt service	673,844	-	-	(673,844)
Total	\$ 955,807	-	-	(955,807)
General Receipts:				
Tax increment financing				306,263
Unrestricted interest on investments				89
Loan proceeds				583,558
Total general receipts				889,910
Change in cash basis net position				(65,897)
Cash basis net position beginning of year				77,672
Cash basis net position end of year				\$ 11,775
Cash Basis Net Position				
Restricted for rural improvement zone purposes				\$ 11,775

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, 2022

	General Fund
Receipts:	
Tax increment financing	\$ 306,263
Use of money and property	89
Total receipts	306,352
Disbursements:	
Maintenance and improvement:	
Dredging	106,460
Erosion control	135,565
Water quality	22,445
Administration	3,514
Professional fees	13,979
Debt service:	
Principal on loans	655,160
Interest on loans	18,684
Total disbursements	955,807
Deficiency of receipts under disbursements	(649,455)
Other financing sources:	
Loan proceeds	583,558
Change in cash balances	(65,897)
Cash balances beginning of year	77,672
Cash balances end of year	\$ 11,775
Cash Basis Fund Balances	
Restricted for rural improvement zone purposes	\$ 11,775

See notes to financial statements.

Holiday Lake Rural Improvement Zone

Notes to Financial Statements

June 30, 2022

(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 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 Statement – A separate financial statement is 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 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 statements do 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, 2022, disbursements exceeded the amounts budgeted.

(2) Cash and Investments

The Rural Improvement Zone’s deposits in banks at June 30, 2022 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

	Beginning			Ending	
	Balance	Increases	Decreases	Balance	Due Within One Year
Line of credit	\$ 336,071	583,558	655,160	264,469	264,469

Direct Borrowings

On September 5, 2019, the Rural Improvement Zone entered into a multiple advance open-end line of credit with the First State Bank of Lynnville, Iowa with a maximum principal amount of \$600,000. The line of credit bore interest at 5.04% per annum and matured on September 22, 2021. A late charge of \$30 was to be assessed if the payment was made more than 10 days after it was due. During the year ended June 30, 2022, the Rural Improvement Zone drew \$190,000 on the line of credit and paid \$526,071, \$10,297 and \$90 of principal, interest and late charge, respectively, on the line of credit.

On January 11, 2022, the Rural Improvement Zone entered into a multiple advance open-end line of credit with the First State Bank of Lynnville, Iowa with a maximum principal amount of \$600,000. The line of credit bears interest at 5.04% per annum and matures on January 11, 2023. A late charge of \$30 is assessed if a payment is made more than 10 days after it is due. During the year ended June 30, 2022, the Rural Improvement Zone drew \$393,558 on the line of credit and paid \$129,089 and \$8,307 of principal and interest, respectively, on the line of credit.

(4) Risk Management

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

Other Information

Holiday Lake Rural Improvement Zone
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances –
 Budget and Actual – All Governmental Funds

Other Information

Year ended June 30, 2022

	Actual	Budgeted Amounts Original/ Final	Final Actual Variance
Receipts:			
Tax increment financing	\$ 306,263	325,000	(18,737)
Use of money and property	89	100	(11)
Total receipts	<u>306,352</u>	<u>325,100</u>	<u>(18,748)</u>
Disbursements:			
Maintenance and improvement	281,963	311,767	29,804
Debt service	673,844	411,650	(262,194)
Total disbursements	<u>955,807</u>	<u>723,417</u>	<u>(232,390)</u>
Deficiency of receipts under disbursements	(649,455)	(398,317)	(251,138)
Other financing sources	583,558	391,650	191,908
Deficiency of receipts and other financing sources over under disbursements	(65,897)	(6,667)	(59,230)
Cash balance beginning of year	77,672	8,658	69,014
Cash balance end of year	<u>\$ 11,775</u>	<u>1,991</u>	<u>9,784</u>

See accompanying independent auditor's report.

Holiday Lake Rural Improvement Zone

Notes to Other Information – Budgetary Reporting

June 30, 2022

In accordance with the Code of Iowa, the Board of Trustees annually adopt 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. Disbursements required to be budgeted include disbursements for the General Fund.

During the year ended June 30, 2022, disbursements exceeded the amount 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 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 governmental activities and the major fund of the Holiday Lake Rural Improvement Zone as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, and have issued our report thereon dated December 7, 2022. 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Holiday Lake Rural Improvement Zone's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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 that a material misstatement of the City'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 that 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 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 identified certain deficiencies in internal control identified in the accompanying Schedule of Findings as item (A) to be a material weakness.

Report on 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, 2022 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.

Holiday Lake Rural Improvement Zone's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Holiday Lake Rural Improvement Zone's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Holiday Lake Rural Improvement Zone's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

December 7, 2022

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

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

Condition – Generally, one individual in the Rural Improvement Zone has control over the processing of invoices, check preparation and signing, and preparing bank reconciliations.

Cause – The Rural Improvement Zone has a limited number of employees and procedures have not been designed 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 employees in the normal course of performing their assigned functions.

Recommendation – The Board should review its control activities to obtain the maximum internal control possible under the circumstances utilizing current Trustee Members to provide additional control through review of financial transactions, reconciliations, and reports.

Response – Holiday RIZ will continue to have the monthly bank statement, bank reconciliation and the disbursement report reviewed by the President, or another officer, at each monthly meeting to assure accuracy of the Treasurer Reports and as an additional control measure.

Conclusion – Response acknowledged. The Rural Improvement Zone could improve segregation of duties by involving additional Board members in the processing of disbursements. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amount budgeted.

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 – The Rural Improvement Zone is aware that loan renewals are included in disbursements for budget purposes. However, due to a lack of predictability in revenues which are applied to the line of credit principal along with an unpredictability of the renewed principal balance it is difficult to predict expenditures in years when the line of credit renews.

Conclusion – Response acknowledged. The budget should be amended before disbursements are allowed to exceed the budget, as required.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in the 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) Rural Improvement Zone Minutes – No transactions were found that we believe should have been approved in the Rural Improvement Zone minutes but were not.
- (7) 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 were noted.
- (8) Annual Urban Renewal Report (AURR) – The Annual Urban Renewal Report was properly certified to the Iowa Department of Management on or before December 1. However, it was not approved by the Rural Improvement Zone Trustees.

Recommendation - The Rural Improvement Zone should ensure the report is properly approved on or before December 1.

Response – The RIZ Trustees are aware of this requirement, and we maintain we did approve both reports at our November meeting, but the motion was omitted in the minutes, and we did not catch the error. This will be corrected going forward.

Conclusion – Response accepted.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2022

- (9) Late Fees – During the year ended June 30, 2022, the Rural Improvement Zone had a line of credit that matured on September 22, 2021 but did not pay the balance of principal and interest due until January 11, 2022 when they entered into a new line of credit agreement. This resulted in a total of \$90 in late fees.

Recommendation - The Rural Improvement Zone should make payments timely to avoid late fees.

Response – The Trustees have viewed late fees as just another form of interest on the balance, and since the per diem cost of interest was \$46.00+ per day, viewed them as immaterial. However, in the future the Trustees will make a renewed effort to make payments timely to avoid late charges.

We may add that the extension activity was needed when the Bank, at its discretion, decided to rewrite the loan balance on a new note rather than extending it another year. That then triggers all the disclosure requirements before a renewal can be executed. This necessitated a short extension to allow time to publish, have a public hearing and then approve the renewal.

So, the reason for the delay in accomplishing the renewal is solely to meet the regulatory requirements imposed by the Iowa code. The Lender and Trustees are in full agreement in the handling of the loan, i.e., applying all tax revenues to the balance and re-borrowing on the line of credit for financing needs until tax revenues catch up with expenditures.

Conclusion – Response accepted.

Holiday Lake Rural Improvement Zone

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Gwen D. Fangman, CPA, Manager
William R. Bamber, CPA, Staff Auditor