



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

June 14, 2024

Contact: Brian Brustkern
515/281-5834

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 \$673,831 for the year ended June 30, 2023, a 24.3% decrease from the prior year. Disbursements for the year ended June 30, 2023 totaled \$682,854, a 28.6% decrease from the prior year. The decrease 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 three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 20 through 22 of this report. The findings address a lack of segregation of duties and lack of a disaster recovery plan and questionable disbursements. Sand provided the Rural Improvement Zone with recommendations to address each of the findings.

One of the three findings discussed above is repeated from the prior year. The Rural Improvement Zone Trustees have a fiduciary responsibility to provide oversight of the Rural Improvement Zone 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 website 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, 2023

Holiday Lake Rural Improvement Zone



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Rob Sand
Auditor of State

June 5, 2024

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, 2023. 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

Table of Contents

	<u>Page</u>
Board of Trustees	3
Independent Auditor’s Report	5-7
Basic Financial Statements:	<u>Exhibit</u>
Entity-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 10
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 11
Notes to Financial Statements	12-14
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual All governmental funds	16
Notes to Other Information – Budgetary Reporting	17
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 <u>Government Auditing Standards</u>	18-19
Schedule of Findings	20-22
Staff	23

Holiday Lake Rural Improvement Zone

Board of Trustees

<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
Tom Hinders (appointed May 2023)	Trustee	August 2023
Mike Stoos	Trustee	Resigned March 2023

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, 2023, 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, 2023, 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 (GAAS) 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 GAAS 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 GAAS 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 June 5, 2024 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

June 5, 2024

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, 2023

	Disbursements	Program Receipts		Net (Disbursements)
		Charges for Service	Contributions and Restricted Interest	Receipts and Changes in Cash Basis Net Position
				Governmental Activities
Functions/Programs:				
Governmental activities:				
Maintenance and improvements:				
Dredging	\$ 287,253	-	-	(287,253)
Erosion control	58,431	-	-	(58,431)
Water quality	20,500	-	-	(20,500)
Administration	5,022	-	-	(5,022)
Professional fees	20,550	-	-	(20,550)
Debt service	291,098	-	-	(291,098)
Total	\$ 682,854	-	-	(682,854)
General Receipts:				
Tax increment financing				266,102
Unrestricted interest on investments				197
Loan proceeds				407,532
Total general receipts				673,831
Change in cash basis net position				(9,023)
Cash basis net position beginning of year				11,775
Cash basis net position end of year				\$ 2,752
Cash Basis Net Position				
Restricted for rural improvement zone purposes				\$ 2,752

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, 2023

	General Fund
Receipts:	
Tax increment financing	\$ 266,102
Use of money and property	197
Total receipts	266,299
Disbursements:	
Maintenance and improvement:	
Dredging	287,253
Erosion control	58,431
Water quality	20,500
Administration	5,022
Professional fees	20,550
Debt service:	
Principal on loans	267,101
Interest on loans	23,997
Total disbursements	682,854
Deficiency of receipts under disbursements	(416,555)
Other financing sources:	
Loan proceeds	407,532
Change in cash balances	(9,023)
Cash balances beginning of year	11,775
Cash balances end of year	\$ 2,752
Cash Basis Fund Balances	
Restricted for rural improvement zone purposes	\$ 2,752

See notes to financial statements.

Holiday Lake Rural Improvement Zone

Notes to Financial Statements

June 30, 2023

(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 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 governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statement.

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budget comparison and related disclosures are reported as Other Information. During the year ended June 30, 2023, disbursements did not exceed the amount budgeted.

(2) Cash and Investments

The Rural Improvement Zone's deposits in banks at June 30, 2023 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

	<hr/>			<hr/>	
	Beginning			Ending	Due
	Balance	Increases	Decreases	Balance	Within
					One Year
Line of credit	\$ 264,469	407,532	267,101	404,900	404,900

Direct Borrowings

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 bore interest at 5.04% per annum and matured on January 11, 2023. The agreement was modified on January 11, 2023, to bear interest at 8.14% per annum and maturity was extended to January 11, 2024. 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, 2023, the Rural Improvement Zone drew \$407,531 on the line of credit and paid \$267,101 and \$23,997 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, 2023

	Actual	Budgeted Amounts Original/ Final	Final Actual Variance
Receipts:			
Tax increment financing	\$ 266,102	330,000	(63,898)
Use of money and property	197	100	97
Total receipts	<u>266,299</u>	<u>330,100</u>	<u>(63,801)</u>
Disbursements:			
Maintenance and improvement	391,756	331,375	(60,381)
Debt service	291,098	405,650	114,552
Total disbursements	<u>682,854</u>	<u>737,025</u>	<u>54,171</u>
Deficiency of receipts under disbursements	(416,555)	(406,925)	(9,630)
Other financing sources	407,532	354,658	52,874
Deficiency of receipts and other financing sources over under disbursements	(9,023)	(52,267)	43,244
Cash balance beginning of year	11,775	76,708	(64,933)
Cash balance end of year	<u>\$ 2,752</u>	<u>24,441</u>	<u>(21,689)</u>

See accompanying independent auditor's report.

Holiday Lake Rural Improvement Zone

Notes to Other Information – Budgetary Reporting

June 30, 2023

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.

During the year ended June 30, 2023, disbursements did not exceed 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 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, 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, 2023, and the related Notes to Financial Statements, which collectively comprise the Rural Improvement Zone's basic financial statements and have issued our report thereon dated June 5, 2024. 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.

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 certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 Rural Improvement Zone's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2023-002 to be a significant deficiency.

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, 2023 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

June 5, 2024

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 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. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

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.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2023

2023-002 Disaster Recovery Plan

Criteria – Properly designed policies and procedures pertaining to control activities over the Rural Improvement Zone’s computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and helps ensure the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The Rural Improvement Zone does not have a formal written disaster recovery plan.

Cause – Management has not adopted a formal policy.

Effect – The failure to have a formal disaster recovery plan could result in the Rural Improvement Zone’s inability to function in the event of a disaster or continue business without interruption.

Recommendation – The Rural Improvement Zone should establish a written disaster recovery plan.

Response – Steps to create a disaster recovery plan have been discussed but not yet implemented. Efforts on this front will begin in 2024.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2023

Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 did not exceed the amount budgeted.

2023-B Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
First State Bank	Insufficient balance fees	\$ 32.10
Manatt’s Inc.	Sales tax	8.54

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Rural Improvement Zone should develop policies and procedures to ensure insufficient balance fees and sales tax are not paid.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

2023-C Travel Expense – No disbursements of Rural Improvement Zone money for travel expenses of spouses of Rural Improvement Zone officials or employees were noted.

2023-D 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.

2023-E 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.

2023-F Rural Improvement Zone Minutes – No transactions were found that we believe should have been approved in the Rural Improvement Zone minutes but were not.

2023-G 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.

2023-H Annual Urban Renewal Report (AURR) – The Annual Urban Renewal Report was properly certified to the Iowa Department of Management on or before December 1.

Holiday Lake Rural Improvement Zone

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Gwen D. Fangman, CPA, Manager
William R. Bamber, CPA, Senior Auditor
Sydney L. Steffen, Assistant Auditor