



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

State Capitol Building  
Des Moines, Iowa 50319-0004  
Telephone (515) 281-5834

Rob Sand  
Auditor of State

**NEWS RELEASE**

Contact: Brian Brustkern  
515/281-5834

**FOR RELEASE**

August 16, 2024

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

**FINANCIAL HIGHLIGHTS:**

The Rural Improvement Zone's receipts totaled \$2,339,952 for the year ended June 30, 2023, a 454.5% increase over the prior year. Disbursements for the year ended June 30, 2023 totaled \$648,225, a 33.9% increase over the prior year. The significant increase in receipts is primarily due to loan proceeds of \$1,835,000. The significant increase in disbursements is primarily due to the purchase of land and increased engineering fees.

**AUDIT FINDINGS:**

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 22 through 24 of this report. The findings address a lack of evidence of review of monthly bank reconciliations and Commission minutes not signed and indicating the vote of each member. Sand provided the Rural Improvement Zone with a recommendation to address each of the findings.

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

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

###

**SUNDOWN LAKE RURAL IMPROVEMENT ZONE**

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

**JUNE 30, 2023**

**Sundown Lake Rural Improvement Zone**



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Telephone (515) 281-5834

Rob Sand  
Auditor of State

June 13, 2024

Officials of the Sundown Lake Rural Improvement Zone  
Centerville, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Sundown Lake Rural Improvement Zone for the year ended June 30, 2023. 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 Sundown 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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**Sundown Lake Rural Improvement Zone**

**Board of Trustees**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Sampson	President	August 2025
Andy Fuhs	Treasurer	August 2024
Paul Wenger	Clerk	August 2025
Kimberly Knoll Merriam	Trustee	August 2024
Jason Smith	Trustee	August 2023

**Sundown Lake Rural Improvement Zone**



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Independent Auditor's Report

To the Trustees of the Sundown 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 Sundown 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 Sundown 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 Sundown 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 Sundown 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 judgment 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 judgment 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 Sundown 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sundown 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 18 and 19 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 13, 2024 on our consideration of the Sundown 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 Sundown Lake Rural Improvement Zone's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA  
Deputy Auditor of State

June 13, 2024

**Sundown Lake Rural Improvement Zone**

## **Basic Financial Statements**

**Exhibit A**

Sundown 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	Operating Grants, Contributions and Restricted Interest	Receipts and Changes in Cash Basis Net Position Governmental Activities
<b>Functions/Programs:</b>				
Governmental activities:				
Maintenance and improvements:				
Dredging	\$ 42,000	-	-	(42,000)
Erosion control	32,987	-	-	(32,987)
Land acquisition	110,265	-	-	(110,265)
Administration	38,192	-	-	(38,192)
Professional fees	180,013	-	-	(180,013)
Debt service	244,768	-	-	(244,768)
Total	\$ 648,225	-	-	(648,225)
<b>General Receipts:</b>				
Tax increment financing				487,013
Intergovernmental				15,439
Other income				2,500
Loan proceeds				1,835,000
Total general receipts				2,339,952
Change in cash basis net position				1,691,727
Cash basis net position beginning of year				92,362
Cash basis net position end of year				\$ 1,784,089
<b>Cash Basis Net Position</b>				
Restricted for rural improvement zone purposes				\$ 1,784,089

See notes to financial statements.

Sundown 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

	<u>General Fund</u>
Receipts:	
Tax increment financing	\$ 487,013
Intergovernmental	15,439
Other income	<u>2,500</u>
Total general receipts	<u>504,952</u>
Disbursements:	
Maintenance and improvement:	
Dredging	42,000
Erosion control	32,987
Land acquisition	110,265
Administration	38,192
Professional fees	180,013
Debt service:	
Loan principal repayments	202,000
Interest on loan	<u>42,768</u>
Total disbursements	<u>648,225</u>
Deficiency of receipts under disbursements	(143,273)
Other financing sources:	
Loan proceeds	<u>1,835,000</u>
Change in cash balances	1,691,727
Cash balances beginning of year	<u>92,362</u>
Cash balances end of year	<u>\$ 1,784,089</u>
<b>Cash Basis Fund Balances</b>	
Restricted for rural improvement purposes	<u>\$ 1,784,089</u>

See notes to financial statements.

Sundown Lake Rural Improvement Zone

Notes to Financial Statements

June 30, 2023

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

The Sundown 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 Sundown Lake private development in rural Appanoose County.

A. Reporting Entity

For financial reporting purposes, the Sundown 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 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 and the debt service 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, total 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) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Tax Increment Improvement Zone Certificates	\$ 1,434,000	1,835,000	202,000	3,067,000

On September 6, 2017, the Rural Improvement Zone issued a tax increment improvement zone certificate for \$1,120,000 for the purpose of rural improvement zone projects. The certificate bears interest at 3.50% per annum and is payable solely from tax increment financing (TIF) receipts generated by the rural improvement zone. The certificate matures on December 1, 2025. During the year ended June 30, 2023, the Rural Improvement Zone paid \$162,000 of principal and \$17,972 of interest on the certificate.

On September 18, 2019, the Rural Improvement Zone issued a tax increment improvement zone certificate for \$940,000 for the purpose of Rural Improvement Zone projects. The certificate bears interest at 2.85% per annum and is payable solely from TIF receipts generated by the Rural Improvement Zone. The certificate matures December 1, 2028. During the year ended June 30, 2023, the Rural Improvement Zone paid \$40,000 of principal and \$24,795 of interest on the certificate.

On November 16, 2022, the Rural Improvement Zone issued a tax increment improvement zone certificate for \$1,835,000 for the purpose of Rural Improvement Zone projects. The certificate bears interest at 4.75% to 5.40% per annum and is payable solely from tax increment financing (TIF) receipts generated by the Rural Improvement Zone. The certificate matures on June 1, 2035. During the year ended June 30, 2023, no payments were made on the certificate.

Annual debt service to maturity for the tax increment improvement zone certificates are as follows:

Year Ending June 30,	Tax Increment Improvement Zone Certificate Series 2017B Issued Sep 6, 2017			Tax Increment Improvement Zone Certificate Series 2019 Issued Sep 18, 2019		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
	2024	3.50%	\$ 168,000	12,250	2.85%	\$ 40,000
2025	3.50	174,000	6,318	2.85	45,000	22,444
2026	3.50	50,000	875	2.85	175,000	20,235
2027	3.50	-	-	2.85	230,000	14,891
2028	3.50	-	-	2.85	240,000	8,265
2029-2033	3.50	-	-	2.85	110,000	1,568
2034-2035	3.50	-	-	2.85	-	-
Total		\$ 392,000	19,443		\$ 840,000	91,058

Year Ending June 30,	Tax Increment Improvement Zone Certificate Series 2022 Issued Nov 16, 2022			Total	
	Interest			Principal	
	Rates	Principal	Interest	Interest	
	2024	4.75%	\$ 20,000	146,613	\$ 228,000
2025	4.75	65,000	94,150	284,000	122,912
2026	4.75	70,000	91,063	295,000	112,173
2027	4.90	-	87,737	230,000	102,628
2028	5.00	-	87,738	240,000	96,003
2029-2033	5.10	1,105,000	343,908	1,215,000	345,476
2034-2035	5.40	575,000	47,135	575,000	47,135
Total		\$ 1,835,000	898,344	\$ 3,067,000	1,008,845

**(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) The Coves of Sundown Lake Owners' Association Agreement**

On August 13, 2020, the Rural Improvement Zone entered into an agreement with The Coves of Sundown Lake Owners' Association (Association). Under the agreement, the Association will pay McGruder Construction for dredging projects in Sundown Lake of up to 35,400 cubic yards of sediment. The Rural Improvement Zone will reimburse the Association within 10 years for the cost of the work orders paid by the Association pursuant to the agreement. As of June 30, 2023, the Association has invoiced the Rural Improvement Zone \$147,505 for the dredging project. One payment of \$42,000 was paid in fiscal year 2022. One payment of \$42,000 was made during the current fiscal year leaving an outstanding balance of \$63,505.

**(6) Subsequent Event**

On May 5, 2024, the Rural Improvement Zone approved a resolution to issue \$995,000 in Tax Improvement Zone Certificates for the purpose of rural improvement zone projects.

**Sundown Lake Rural Improvement Zone**

## **Other Information**

Sundown 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 to Actual Variance
Receipts:			
Tax increment financing	\$ 487,013	486,706	307
Intergovernmental	15,439	-	15,439
Miscellaneous	2,500	-	2,500
Total revenues	504,952	486,706	18,246
Disbursements:			
Maintenance and improvement	403,457	1,866,000	1,462,543
Debt service	244,768	380,000	135,232
Total disbursements	648,225	2,246,000	1,597,775
Deficiency of receipts under disbursements	(143,273)	(1,759,294)	1,616,021
Other financing sources			
Loan proceeds	1,835,000	1,781,000	54,000
Change in balance	1,691,727	21,706	1,670,021
Cash balance beginning of year	92,362	1,177	91,185
Cash balance end of year	\$ 1,784,089	22,883	1,761,206

See accompanying independent auditor's report.

Sundown Lake Rural Improvement Zone

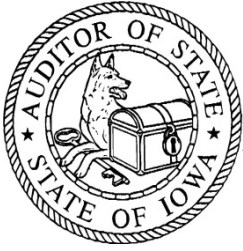
Notes to Other Information – Budgetary Reporting

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. 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, total 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 Sundown 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 Sundown Lake Rural Improvement Zone as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, and have issued our report thereon dated June 13, 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 accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sundown 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 Sundown Lake Rural Improvement Zone's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sundown 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 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 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 a certain deficiency in internal control identified in the accompanying Schedule of Findings as item 2023-001 to be a material weakness.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sundown 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, noncompliance with which could have a direct and material effect on the determination of financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission'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.

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

Government Auditing Standards require the auditor to perform limited procedures on the Sundown Lake Rural Improvement Zone's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Sundown 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 Sundown 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 13, 2024



Sundown Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2023

**Finding Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCY:**

2023-001 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Independent, timely review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the Rural Improvement Zone’s monthly financial reports. However, for one of two bank reconciliations observed there was no evidence of independent review and the other bank reconciliation was not dated to evidence the timeliness of review.

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are independently reviewed for completeness and accuracy in a timely manner.

Effect – The lack of independent, timely review of bank reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – An independent person should review the reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Response – The Treasurer will provide the monthly bank reconciliations to an independent person to review and certify completeness and accuracy. The independent person will attest by their signature and the date that the reconciliation is complete and accurate prior to the Treasurer presenting to the entire board for approval.

Conclusion – Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

Sundown 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 – 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.

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

2023-D Restricted Donor Activity – No transactions were noted between the Board of Trustees, Rural Improvement Zone officials 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.

During the year ended June 30, 2023 the meeting minutes did not include information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa. In addition, the meeting minutes were not signed.

Recommendation – The Rural Improvement Zone should ensure the minutes include information to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa. In addition, the meeting minutes should be signed to authenticate the meeting records.

Response – The RIZ will comply with these recommendations in the future.

Conclusion – Response accepted.

2023-G Deposits and Investments – No instances of noncompliance 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 – The Annual Urban Renewal Report (AURR) was properly approved and certified to the Iowa Department of Management on or before December 1.

Sundown Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2023

2023-I Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all entities to report and remit outstanding obligations, including checks, held for more than two years to the Office of Treasurer of State annually. The Rural Improvement Zone did not remit obligations outstanding for greater than two years, as required.

Recommendation – Outstanding checks should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

Response – The RIZ will gather the necessary information to facilitate remittance of unclaimed property to the Great Iowa Treasure Hunt by the November deadline.

Conclusion – Response accepted.

Sundown Lake Rural Improvement Zone

Staff

This audit was performed by:

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