



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

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

December 3, 2024

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 \$683,158 for the year ended June 30, 2024, a 1.4% increase over the prior year. Disbursements for the year ended June 30, 2024 totaled \$671,202, a 1.7% decrease from the prior year.

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, the lack of a disaster recovery plan and questionable disbursements. Sand provided the Rural Improvement Zone with recommendations to address each of the findings.

All of the 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 website at [Audit Report – Auditor of State](#).

###

HOLIDAY LAKE RURAL IMPROVEMENT ZONE

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

JUNE 30, 2024

Holiday Lake Rural Improvement Zone



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

Rob Sand
Auditor of State

October 15, 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, 2024. 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 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 that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

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>
Government-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>
Tom Dvorsky (Appointed May 2024)	President	August 2026
Brad Storm	President	Resigned May 2024
Tom Hinders	Clerk	August 2025
Richard Happe	Treasurer	August 2024
Todd Eiler	Trustee	August 2026
Vacant	Trustee	August 2024

Holiday Lake Rural Improvement Zone



**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

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 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, 2024, 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 accompanying 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, 2024, 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 the 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.

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 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 judgment, 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 October 15, 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

October 15, 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, 2024

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Maintenance and improvements:				
Dredging	\$ 118,422	-	-	(118,422)
Erosion control	120,653	-	-	(120,653)
Water quality	155,632	-	-	(155,632)
Administration	2,221	-	-	(2,221)
Professional fees	19,767	-	-	(19,767)
Debt service	254,507	-	-	(254,507)
Total	\$ 671,202	-	-	(671,202)
General Receipts:				
Tax increment financing				371,956
Unrestricted interest on investments				202
Loan proceeds				311,000
Total general receipts				683,158
Change in cash basis net position				11,956
Cash basis net position beginning of year				2,752
Cash basis net position end of year				\$ 14,708
Cash Basis Net Position				
Restricted for rural improvement zone purposes				\$ 14,708

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, 2024

	General Fund
Receipts:	
Tax increment financing	\$ 371,956
Use of money and property	202
Total receipts	372,158
Disbursements:	
Maintenance and improvement:	
Dredging	118,422
Erosion control	120,653
Water quality	155,632
Administration	2,221
Professional fees	19,767
Debt service:	
Principal on loans	234,714
Interest on loans	19,793
Total disbursements	671,202
Deficiency of receipts under disbursements	(299,044)
Other financing sources:	
Loan proceeds	311,000
Change in cash balances	11,956
Cash balances beginning of year	2,752
Cash balances end of year	\$ 14,708
Cash Basis Fund Balances	
Restricted for rural improvement zone purposes	\$ 14,708

See notes to financial statements.

Holiday Lake Rural Improvement Zone

Notes to Financial Statements

June 30, 2024

(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

Government-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.

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 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. Tax Increment Financing (Property Tax) and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax receipts recognized in the fund become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2022 assessed property valuations; is for the tax accrual period July 1, 2023 through June 30, 2024 and reflects tax asking contained in the budget certified to the Rural Improvement Zone in April 2023.

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, 2024, disbursements did not exceed the amount budgeted.

(2) Cash and Investments

The Rural Improvement Zone's deposits in banks at June 30, 2024 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	\$ 404,900	311,000	234,714	481,186	481,186

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 was to mature on January 11, 2023. The agreement was modified January 11, 2023 to extend the maturity to January 11, 2024. On January 11, 2024, the agreement was modified to bear interest at 8.14% per annum and maturity was extended to July 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, 2024, the Rural Improvement Zone drew \$311,000 on the line of credit and paid \$234,714 and \$19,793 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, 2024

	Actual	Budgeted Amounts Original/ Final	Final Actual Variance
Receipts:			
Tax increment financing	\$ 371,956	330,000	41,956
Use of money and property	202	101	101
Total receipts	<u>372,158</u>	<u>330,101</u>	<u>42,057</u>
Disbursements:			
Maintenance and improvement	416,695	334,100	(82,595)
Debt service	254,507	360,000	105,493
Total disbursements	<u>671,202</u>	<u>694,100</u>	<u>22,898</u>
Deficiency of receipts under disbursements	(299,044)	(363,999)	64,955
Other financing sources	<u>311,000</u>	<u>670,000</u>	<u>(359,000)</u>
Change in balances	11,956	306,001	(294,045)
Cash balance beginning of year	<u>2,752</u>	<u>33,398</u>	<u>(30,646)</u>
Cash balance end of year	<u>\$ 14,708</u>	<u>339,399</u>	<u>(324,691)</u>

See accompanying independent auditor's report.

Holiday Lake Rural Improvement Zone

Notes to Other Information – Budgetary Reporting

June 30, 2024

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, 2024, disbursements did not exceed the amount budgeted.



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

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, 2024, 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 October 15, 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 2024-001 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 2024-002 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, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of noncompliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Rural Improvement Zone's operations for the year ended June 30, 2024 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

October 15, 2024

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2024

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2024-001 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 – The Trustees will continue to have the President, or another Officer, review the bank statement, the bank reconciliation statement, County Treasurer’s Disbursement Statement, and other reports for accuracy. These reviews are documented by having the reviewing officer initialing and dating the documents reviewed.

Conclusion – Response accepted.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2024

2024-002 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 – A Disaster Recovery Plan is being drafted and will be reviewed to ensure the recommended requirements are included and committed to in writing. It can be noted that this rural improvement zone is somewhat less exposed to the effects of many disaster scenarios in that we uniquely have no daily operational requirements since meetings are monthly. Unlike most organizations, the rural improvement zone has no customers, no employees or payroll. In addition, all records are backed up in the cloud and has just a laptop computer for equipment needs that can be replaced within 24 hours if needed.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Holiday Lake Rural Improvement Zone

Schedule of Findings

Year ended June 30, 2024

Other Findings Related to Required Statutory Reporting:

2024-A Certified Budget – Disbursements during the year ended June 30, 2024 did not exceed the amount budgeted.

2024-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:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
JDM Contracting LLC	Sales tax	\$ 375

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 sales tax is not paid.

Response – The disbursement in question was to a new vendor (and newly formed company) unaware of how the rural improvement zones work and their sale tax status. The Trustees pointed out the oversight and subsequent invoices and disbursements to this vendor were, and are, in compliance with the public purpose requirements.

Conclusion – Response accepted.

2024-C Travel Expense – No disbursements of Rural Improvement Zone money for travel expenses of spouses of Rural Improvement Zone officials or employees were noted.

2024-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.

2024-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.

2024-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.

2024-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.

2024-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
Sydney L. Steffen, Staff Auditor
Jon J. Wilson, Assistant Auditor