

Honey Creek Premier Destination Park Authority (A Component Unit of the State of Iowa)

Financial Report

June 30, 2009

McGladrey & Pullen

Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Honey Creek
Premier Destination Park Authority
Des Moines, Iowa

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Honey Creek Premier Destination Park Authority (the Authority), a component unit of the State of Iowa, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Honey Creek Premier Destination Park Authority, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Des Moines, Iowa
November 13, 2009

Honey Creek Premier Destination Park Authority (A Component Unit of the State of Iowa)

Management's Discussion and Analysis Year Ended June 30, 2009

The Honey Creek Premier Destination Park Authority (the Authority) provides this management's discussion and analysis of the Authority's annual financial statements. This narrative overview and analysis of the financial activities of the Authority is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Authority's financial statements and footnotes, which follow this section.

Financial Highlights

In fiscal year 2009, the primary activity of the Authority was the investment of bond reserves and the payment of fees and interest on the bonds. The Authority's debt did not change in the current year since no principal payments are due until fiscal year 2011.

The Park is a resort park and recreational development being undertaken by the Iowa Department of Natural Resources at Lake Rathbun, a man-made lake developed by the U.S. Army Corps of Engineers in southern Iowa near Moravia, Iowa. The Park opened in September 2008. The Series 2006 Bonds will be payable from net revenues of the Park.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of a series of financial statements. The governmental fund's Balance Sheet/Statement of Net Assets (Deficit) and the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance (Deficit)/Statement of Activities combine two sets of financial statements to compare information from a fund perspective with information about the activities of the Authority as a whole with a longer-term view of the Authority's finances. These basic financial statements also include the Notes to Financial Statements that explain some of the information in the statements and provide more detail.

Reporting the Authority

The governmental fund's Balance Sheet/Statement of Net Assets (Deficit) and the Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)/Statement of Activities report information of the Authority as a whole and its activities. These statements include the General Fund reported on a modified accrual basis of accounting with adjustments to report all assets, liabilities and activities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

The Statement of Net Assets (Deficit) presents all of the Authority's assets and liabilities, with the difference between the two reported as "net assets (deficit)". Over time, increases or decreases in the Authority's net assets (deficit) may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

**Management's Discussion and Analysis
Year Ended June 30, 2009**

The Statement of Activities presents information showing how the Authority's net assets (deficit) changed during the fiscal year. All changes in net assets (deficit) are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result from cash flows until future periods.

Financial Analysis of the Statement of Net Assets and the Statement of Activities

The Authority has total deficit net assets. This indicates the Authority's long-term liabilities, primarily the bonds, exceed the Authority's ability to pay those liabilities without additional funding. This is expected since the bonds are expected to be paid from future park operations. Total assets decreased \$697,429 due to cash and investments used for the payment of bond interest. Total liabilities decreased \$13,277 due to the amortization of bond premiums and deferred charges. No principal payments on the bonds were due in the current year. Revenue includes interest earnings which changes based on the rates in effect and program revenue provided from the Department of Natural Resources for the payment of interest expense.

Condensed financial information as of and for the years ended June 30, 2009 and 2008 is as follows:

	2009	2008
Assets:		
Current assets	\$ 26,894	\$ 30,695
Noncurrent assets	30,793,625	31,487,253
Total assets	<u>30,820,519</u>	<u>31,517,948</u>
Current liabilities	125,624	125,624
Noncurrent liabilities	33,604,870	33,618,147
Total liabilities	<u>33,730,494</u>	<u>33,743,771</u>
Net assets:		
Restricted	2,363,917	3,041,018
Unrestricted	(5,273,892)	(5,266,841)
Net assets (deficit)	<u>\$ (2,909,975)</u>	<u>\$ (2,225,823)</u>
Revenues:		
General revenue, interest income on investments and bank deposits	\$ 122,592	\$ 162,244
Program revenue, intergovernmental	705,946	-
Total revenues	<u>828,538</u>	<u>162,244</u>
Expenses:		
Amortization expense	16,527	16,527
Bond interest	1,494,207	1,494,207
Trustee fees	1,956	2,252
Total expenses	<u>1,512,690</u>	<u>1,512,986</u>
(Deficiency) of revenues under expenses	(684,152)	(1,350,742)
Net assets (deficit), beginning of year	(2,225,823)	(875,081)
Net assets (deficit), end of year	<u>\$ (2,909,975)</u>	<u>\$ (2,225,823)</u>

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

**Management's Discussion and Analysis
Year Ended June 30, 2009**

Financial Analysis of the Governmental Fund

The ending fund balance of the Authority's governmental fund decreased \$680,902 from \$31,055,186 at the end of fiscal year 2008 to \$30,374,284 at the end of fiscal year 2009. This decrease is due to the payment of interest on the bonds. Of the ending fund balance of \$30,374,284, \$28,000,000 is reserved for an advance to the state and \$2,374,284 is reserved for debt service.

Debt Administration

As of June 30, 2009 and 2008, the Authority had \$33,370,000 in bonds payable. Principal payments are not due until fiscal year 2011. In the current year, the Authority paid \$1,507,484 of interest on the bonds. Additional information on the Authority's long-term debt can be found in Note 3 to the financial statements.

Economic Factors

The Authority has factored in the economy and the stress it has placed on the Authority for investment return.

Contacting the Authority

This financial report is designed to present users with a general overview of the Authority's finances and to demonstrate accountability for the funds generated and expended. If you have any questions about the report or need additional information, please contact the State Treasurer's Office, Lucas State Office Building, Des Moines, Iowa 50319.

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

**Governmental Fund Balance Sheet/Statement of Net Assets (Deficit)
June 30, 2009**

Assets	Governmental Fund Balance Sheet	Adjustments	Statement of Net Assets (Deficit)
Current assets:			
Interest receivable	\$ 10,367	\$ -	\$ 10,367
Deferred charges	-	16,527	16,527
Total current assets	<u>10,367</u>	<u>16,527</u>	<u>26,894</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	284,362	-	284,362
Investments	2,079,555	-	2,079,555
Deferred charges, net of current portion	-	429,708	429,708
Advance to State of Iowa	28,000,000	-	28,000,000
Total noncurrent assets	<u>30,363,917</u>	<u>429,708</u>	<u>30,793,625</u>
Total assets	<u>\$ 30,374,284</u>	<u>446,235</u>	<u>30,820,519</u>
Liabilities			
Current liabilities, accrued interest payable	\$ -	125,624	125,624
Noncurrent liabilities:			
Bond premium, net	-	234,870	234,870
Bonds payable	-	33,370,000	33,370,000
Total noncurrent liabilities	<u>-</u>	<u>33,604,870</u>	<u>33,604,870</u>
Total liabilities	<u>-</u>	<u>33,730,494</u>	<u>33,730,494</u>
Fund balance, net assets (deficit):			
Fund balance:			
Reserved for advances	28,000,000	(28,000,000)	-
Reserved for debt service	2,374,284	(2,374,284)	-
Total fund balance	<u>30,374,284</u>	<u>(30,374,284)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 30,374,284</u>	<u>3,356,210</u>	<u>33,730,494</u>
Net assets (deficit):			
Restricted for debt service		2,363,917	2,363,917
Unrestricted		(5,273,892)	(5,273,892)
Total net assets (deficit)		<u>\$ (2,909,975)</u>	<u>\$ (2,909,975)</u>

See Notes to Financial Statements.

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

**Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)/
Statement of Activities
Year Ended June 30, 2009**

	Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)	Adjustments	Statement of Activities
Revenues:			
General revenue, investment income on investments and bank deposits	\$ 122,592	\$ -	\$ 122,592
Program revenue, intergovernmental	705,946	-	705,946
Total revenues	828,538	-	828,538
Expenditures/expenses:			
Amortization expense	-	16,527	16,527
Debt service, bond interest	1,507,484	(13,277)	1,494,207
Trustee fees	1,956	-	1,956
Total expenditures/expenses	1,509,440	3,250	1,512,690
Net change in fund balance/net assets (deficit)	(680,902)	(3,250)	(684,152)
Fund balance/net assets (deficit), beginning of year	31,055,186	(33,281,009)	(2,225,823)
Fund balance/net assets (deficit), end of year	\$ 30,374,284	\$ (33,284,259)	\$ (2,909,975)

See Notes to Financial Statements.

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Significant Accounting Policies

Nature of operations:

The Honey Creek Premier Destination Park Authority (the Authority) was authorized by the provisions of Chapter 463C.11 of the Code of Iowa on June 15, 2005. The purposes of the Authority include: (a) to implement and administer the Honey Creek Premier Destination Park bond program and to establish a stable source of revenue to be used for the purposes designated, (b) to issue bonds and enter into funding options, including refunding and refinancing its debt and obligations, (c) to provide for and secure the issuance and repayment of its bonds, (d) to invest funds available to provide for a source of revenue in accordance with the program plan, (e) to refund and refinance the Authority's debts and obligations, and to manage its funds, obligations and investments as necessary, and (f) to implement the purposes of Chapter 463C.11 of the Code of Iowa.

The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management of the State.

Reporting entity:

The Authority is a component unit of the State of Iowa (State). The financial statements of the Authority are included in the State's comprehensive annual financial report.

For financial reporting purposes, the Authority has included all funds, organizations, agencies, boards, commissions and authorities. The Authority 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 Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) 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 Authority 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 Authority. The Authority has no component units that meet the GASB criteria.

Authority-wide and fund financial statements: The financial statements combine both an Authority-wide perspective and a governmental perspective.

The Authority is classified as a special revenue fund in the State's comprehensive annual financial report. Special revenue funds account for the proceeds of specific revenue sources (other than permanent or capital projects) that are legally restricted to expenditures for a specified purpose. The difference between assets and liabilities are referred to as "fund balance."

The Authority-wide financial statements, the Statement of Net Assets (Deficit) and the Statement of Activities report information on all the activities of the Authority. Governmental activities generally are those normally financed through taxes, intergovernmental revenues and other nonexchange revenues.

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable within a specific function. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Measurement focus and basis of accounting:

The Authority-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payments are due.

Significant accounting policies:

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The more significant of the Authority's accounting policies are described below.

Cash equivalents: All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Investments not meeting the definition of cash equivalents at June 30, 2009 include U.S. agency bonds and notes totaling \$2,079,555.

Honey Creek Premier Destination Park Authority Bonds, Series 2006: The Authority issued Honey Creek Premier Destination Park Authority Bonds (Series 2006), dated October 19, 2006, in the amount of \$33,370,000. These bonds are secured by the net revenues of the Honey Creek Premier Destination Park Project (the Park).

Advance to the State of Iowa: Upon issuance of the Series 2006 Bonds, the Authority advanced \$28,000,000 to the Honey Creek Park Fund (the Fund), an enterprise of the State of Iowa. The Fund is used to account for the development and operations of the Park. The advance will be reduced by the principal amount paid each year, which will be funded by the net revenues of the Park.

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

Investments: Investments in debt and equity securities are recorded at fair value in the Balance Sheet/Statement of Net Assets (Deficit), with the change in fair value of investments recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)/Statement of Activities.

Deferred charges: Deferred charges represent bond issuance costs that are deferred and amortized over the life of the related bond issue using the straight-line method.

Bond premium: Bond premium is deferred and amortized as an adjustment to interest expense over the life of the related bond issue using the effective interest method.

Use of estimates: Management of the Authority has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets or liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

Fund equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net assets: Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority has restricted net assets of \$2,363,917 for debt service according to the debt agreement. The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Budget: The Authority does not, and is not required to, have an appropriation budget.

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

Notes to Financial Statements

Note 2. Deposits and Investments

Cash equivalents as of June 30, 2009 included \$284,362 invested in a treasury obligation fund which is rated AAA by Standard & Poor's. Investments as of June 30, 2009 are as follows:

Investment Type	Fair Value	Investment maturities (in years)				Concentration	Standard & Poor's Rating
		Less than 1	1 - 2	3 - 5	Thereafter		
Debt securities:							
Federal Home Loan Mortgage Series MTN 5.05%, 1/26/2015	\$ 27,394	\$ -	\$ -	\$ -	\$ 27,394	1.3%	AAA
Federal Home Loan Bank Series 9Q14 4.625%, 09/12/2014	31,584	-	-	-	31,584	1.5	AAA
Federal Home Loan Bank Tap Issue 4.875%, 12/14/2012	97,847	-	-	97,847	-	4.7	AAA
Federal Home Loan Bank Tap Issue 5.375% 09/09/2016	27,149	-	-	-	27,149	1.3	AAA
Federal Home Loan Bank 5.06%, 4/01/2013-2009	151,734	-	-	151,734	-	7.3	AAA
Federal Home Loan Bank Series 1 5%, 11/05/2014-2009	152,157	-	-	-	152,157	7.3	AAA
Federal National Mortgage Association 4%, 4/15/2013	259,624	-	-	259,624	-	12.5	AAA
Federal National Mortgage Association Pool #254955 4%, 10/01/2010	38,155	-	38,155	-	-	1.8	NR
Federal National Mortgage Association Pool #650406, 5.5%, 01/01/2016	172,823	-	-	-	172,823	8.3	NR
Federal National Mortgage Association Series 2003-23 Class PG 5.5%, 1/25/2032	103,770	-	-	-	103,770	5.0	NR
Federal National Mortgage Association Series 2005-57 Class PA 5.5%, 5/25/2027	62,242	-	-	-	62,242	3.0	NR
Federal Home Loan Mortgage Series 2867 Class LG 5.5%, 05/15/2033	155,262	-	-	-	155,262	7.5	NR
Federal National Mortgage Association Series 2006-65 Class TD 5.5%, 10/25/2032	207,966	-	-	-	207,966	10.0	NR
Federal Home Loan Mortgage Series 3268 Class HC 5%, 12/15/2032	101,609	-	-	-	101,609	4.9	NR
Federal Home Loan Mortgage Series 3312 Class BP 5.5%, 1/15/2031	102,089	-	-	-	102,089	4.9	NR
Federal National Mortgage Association Pool #760762 4.89%, 04/01/2012	155,199	-	-	155,199	-	7.5	NR
Small Business Administration Series 2005-P10B Class 1 4.94%, 08/10/2015	232,951	-	-	-	232,951	11.2	NR
Total	\$ 2,079,555	\$ -	\$ 38,155	\$ 664,404	\$ 1,376,996	100.0%	

NR: Not Rated

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

Interest rate risk: The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk: Under bond resolutions of the Official Statement of the Honey Creek Destination Bonds, Series 2006, the Authority is authorized to invest in defeasance collateral; noncancelable senior debt obligations of U.S. government-sponsored agencies that are not backed by the full faith and credit of the U.S. government; demand and time deposits in or certificates of, or banker's acceptances issued by any bank or trust company, savings and loan association or savings bank; municipal obligations of any state of the United States or the State or any political subdivision thereof; commercial or finance company paper; repurchase obligations; securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state, municipality or political subdivision thereof; units of taxable money market funds; investment agreements, forward delivery agreements, or guaranteed investment contracts rated, or with any financial institution or corporation; other obligations, securities, agreements or contracts that are noncancelable and are acceptable to each nationally recognized rating service agency.

Concentration of credit risk: The Authority places no limit on the amount that may be invested in any one issuer. Concentration percentages by investment type are included in the above table.

Custodial credit risk: The Authority's deposits in financial institutions were covered by the Federal Deposit Insurance Corporation or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Authority's investments are all held by the State of Iowa or held by the State of Iowa's agent in the name of the Authority.

Note 3. Bonds Payable

The Honey Creek Destination Bonds (Series 2006) bear interest at rates of 4 percent to 5 percent and mature in varying annual amounts ranging from \$370,000 to \$2,210,000, with the final term maturity due in the year ending June 30, 2036. The balance outstanding on June 30, 2009 was \$33,370,000.

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

Notes to Financial Statements

Note 3. Bonds Payable (Continued)

The bond documents include the following provisions:

- (a) The Series 2006 Bonds are limited special obligations of the Authority. The Series 2006 Bonds do not constitute an indebtedness of the State. The Series 2006 Bonds are payable solely and only out of the moneys, assets or revenues of the Honey Creek Fund pledged by the Authority to the payment of the Series 2006 Bonds and are not an indebtedness of the State or a charge against the general credit or general fund of the State, and the State shall not be liable for the Series 2006 Bonds except from amounts on deposit in the funds pledged to payment of the Series 2006 Bonds. The Series 2006 Bonds are not an obligation of the State or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation. Neither the credit nor taxing power of the State or any political subdivision of the State is pledged to the payment of the Series 2006 Bonds. During the year ended June 30, 2009, the Department of Natural Resources provided \$705,946 to the Authority for payment of bond interest.
- (b) The proceeds of the Series 2006 Bonds, except as deposited in the debt service reserve account, are not pledged to the payment of and, therefore, are not available to the holders of, the Series 2006 bonds.
- (c) A bond fund is established with the bond indenture trustee and money will be deposited in the fund as provided in the bond indenture. The money will be held in trust and, except as otherwise provided in the bond indenture, will be applied solely to the payment of debt service. The bond fund includes the debt service account, the debt service reserve account and such other accounts as deemed necessary. The Authority had \$2,363,917 in the debt service reserve account at June 30, 2009.

Year Ending June 30	Series 2006 Bonds		
	Principal	Interest	Total
2010	\$ -	\$ 1,507,485	\$ 1,507,485
2011	370,000	1,507,485	1,877,485
2012	485,000	1,492,685	1,977,685
2013	565,000	1,473,285	2,038,285
2014	650,000	1,450,685	2,100,685
2015-2019	4,530,000	6,790,170	11,320,170
2020-2024	5,805,000	5,729,005	11,534,005
2025-2029	7,370,000	4,159,625	11,529,625
2030-2034	9,270,000	2,261,250	11,531,250
2035-2036	4,325,000	294,075	4,619,075
Total	\$ 33,370,000	\$ 26,665,750	\$ 60,035,750

The following summarizes the bond payable activity of the Authority for the year ended June 30, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, Series 2006 bonds	\$ 33,370,000	\$ -	\$ -	\$ 33,370,000	\$ -

**Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)**

Notes to Financial Statements

Note 4. Pending Pronouncements

As of June 30, 2009, the GASB has issued the following statement not yet implemented by the Authority that may have a future impact as follows:

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Authority beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

The Authority's management has not yet determined the effect this statement will have on the Authority's financial statements.

McGladrey & Pullen

Certified Public Accountants

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*

The Board of the Honey Creek Premier
Destination Park Authority
Des Moines, Iowa

We have audited the governmental activities and General Fund of the financial statements of the Honey Creek Premier Destination Park Authority (the Authority), a component unit of the State of Iowa as of and for the year ended June 30, 2009, and have issued our report thereon dated November 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

This report is intended solely for the information and use of management of the Authority and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Des Moines, Iowa
November 13, 2009