

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

Financial Report
June 30, 2012

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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, 2012, 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, 2012, 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 19, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McGladrey LLP

Des Moines, Iowa
November 19, 2012

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

**Management's Discussion and Analysis
Year Ended June 30, 2012**

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, 2012. We encourage readers to consider this information in conjunction with the Authority's financial statements and footnotes, which follow this section.

Financial Highlights

In October 2006, the Authority sold \$33,370,000 of bonds at a premium, producing \$33,639,613 of proceeds. The Authority made an advance of \$28,000,000 to the State of Iowa (the State) after providing for interest, payment of issuance costs and establishment of a debt service reserve. The State used the advance for the development of the Honey Creek Premier Destination Park (the Park). The bonds are secured by and are payable from the net revenues of the Park, if any, which have been pledged under the indenture and amounts held in the debt service reserve account, including any amounts appropriated by the State to replenish such account to its required balance. The bonds do not constitute an obligation or indebtedness of the State or any political subdivision of the State.

The Park is a resort park and recreational development 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.

In fiscal year 2012, the primary activity of the Authority was the investment of bond reserves and the payment of fees and debt service on the bonds. The Authority's debt was reduced by \$485,000 during fiscal year 2012.

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 Revenues, Expenditures and Changes in Fund Balance/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 financial 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/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.

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

**Management's Discussion and Analysis
Year Ended June 30, 2012**

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.

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 (Deficit) and the Statement of Activities

The Authority has total deficit net assets. This indicates the Authority's long-term liabilities, primarily the outstanding bonds, exceed the Authority's ability to pay those liabilities without additional funding. This is expected since debt service is to be paid from future net revenues from park operations.

Total assets decreased \$524,457, due primarily to the decrease in the receivable related to the principal payment made in the current year. Total liabilities decreased \$499,764, due primarily to the bond principal payment and the amortization of bond premium and deferred charges. One principal payment of \$485,000 was due and paid in the current fiscal year. The Authority's revenues are interest earnings, which change based on the rates in effect, and revenue provided by the Iowa Department of Natural Resources to pay debt service.

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

**Management's Discussion and Analysis
Year Ended June 30, 2012**

Condensed financial information as of and for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 588,022	\$ 509,451
Noncurrent assets	29,326,499	29,929,527
Total assets	29,914,521	30,438,978
Liabilities:		
Current liabilities	687,774	609,390
Noncurrent liabilities	32,145,166	32,723,314
Total liabilities	32,832,940	33,332,704
Net assets:		
Restricted for debt service	2,366,373	2,387,874
Unrestricted	(5,284,792)	(5,281,600)
Net assets (deficit)	\$ (2,918,419)	\$ (2,893,726)
Revenues:		
General revenue and investment income on investments and bank deposits	\$ 17,868	\$ 50,012
Intergovernmental program revenue	1,453,610	1,432,683
Total revenues	1,471,478	1,482,695
Expenses:		
Amortization	16,527	16,528
Interest	1,477,921	1,492,974
Trustee fees	1,723	2,176
Total expenses	1,496,171	1,511,678
Net change in net assets (deficit)	(24,693)	(28,983)
Net assets (deficit), beginning of year	(2,893,726)	(2,864,743)
Net assets (deficit), end of year	\$ (2,918,419)	\$ (2,893,726)

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

**Management's Discussion and Analysis
Year Ended June 30, 2012**

Financial Analysis of the Governmental Fund

The fiscal year 2012 ending fund balance of the Authority's governmental fund decreased \$507,930 from fiscal year 2011. This decrease is due primarily to the decrease in the receivable related to the principal payment made in the current year. The ending fund balance is restricted for debt service.

Debt Administration

As of June 30, 2012 and 2011, the Authority had \$32,515,000 and \$33,000,000, respectively, of bonds payable. In the current year, the Authority paid \$1,492,685 of interest on the bonds and made a \$485,000 principal payment. Additional information on the Authority's long-term debt can be found in Note 3 to the financial statements.

Economic Factors

Despite economic conditions which have negatively affected investment returns and Park revenue, the Authority has made all required debt service payments.

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, 2012**

Assets	General Fund Balance Sheet	Adjustments	Statement of Net Assets (Deficit)
Current assets:			
Interest receivable	\$ 6,495	\$ -	\$ 6,495
Deferred charges, current portion	-	16,527	16,527
Advance to State of Iowa, current portion	565,000	-	565,000
Total current assets	<u>571,495</u>	<u>16,527</u>	<u>588,022</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	207,255	-	207,255
Investments	2,159,118	-	2,159,118
Deferred charges, net of current portion	-	380,126	380,126
Advance to State of Iowa, net of current portion	26,580,000	-	26,580,000
Total noncurrent assets	<u>28,946,373</u>	<u>380,126</u>	<u>29,326,499</u>
Total assets	<u>\$ 29,517,868</u>	<u>396,653</u>	<u>29,914,521</u>
Liabilities			
Current liabilities:			
Accrued interest payable	\$ -	122,774	122,774
Bonds payable, current portion	-	565,000	565,000
Total current liabilities	<u>-</u>	<u>687,774</u>	<u>687,774</u>
Noncurrent liabilities:			
Bond premium, net	-	195,166	195,166
Bonds payable, net of current portion	-	31,950,000	31,950,000
Total noncurrent liabilities	<u>-</u>	<u>32,145,166</u>	<u>32,145,166</u>
Total liabilities	<u>-</u>	<u>32,832,940</u>	<u>32,832,940</u>
Fund balance			
Restricted for debt service	29,517,868	(29,517,868)	-
Total liabilities and fund balance	<u>\$ 29,517,868</u>	<u>3,315,072</u>	<u>32,832,940</u>
Net assets (deficit)			
Restricted for debt service		2,366,373	2,366,373
Unrestricted		(5,284,792)	(5,284,792)
Total net assets (deficit)		<u>\$ (2,918,419)</u>	<u>\$ (2,918,419)</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/
Statement of Activities
Year Ended June 30, 2012**

	General Fund Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Revenues:			
General revenue and investment income on investments and bank deposits	\$ 17,868	\$ -	\$ 17,868
Intergovernmental program revenue	1,453,610	-	1,453,610
Total revenues	1,471,478	-	1,471,478
Expenditures/expenses:			
Amortization	-	16,527	16,527
Debt service:			
Principal	485,000	(485,000)	-
Interest	1,479,537	(1,616)	1,477,921
Amortization of bond premium	13,148	(13,148)	-
Trustee fees	1,723	-	1,723
Total expenditures/expenses	1,979,408	(483,237)	1,496,171
Net change in fund balance/net assets (deficit)	(507,930)	483,237	(24,693)
Fund balance/net assets (deficit), beginning of year	30,025,798	(32,919,524)	(2,893,726)
Fund balance/net assets (deficit), end of year	\$ 29,517,868	\$ (32,436,287)	\$ (2,918,419)

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 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 (f) to manage its funds, obligations and investments as necessary to implement the purposes of Chapter 463C of the Code of Iowa.

The Authority's board consists of the Treasurer of State, the 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 (the 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 which meet the GASB criteria.

Authority-wide and fund financial statements: The financial statements combine both an authority-wide perspective and a governmental fund 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) 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 with 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 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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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, 2012 include government-sponsored enterprise bonds and notes and certificates of deposits totaling \$2,159,118.

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 fund 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 is to 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 Governmental Fund 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/Statement of Activities. Investments in certificates of deposits are recorded at cost.

Deferred charges: Deferred charges represent bond issuance costs 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 balance: In the governmental fund financial statements, the fund balance is classified as 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.

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 \$2,366,373 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 has not, and is not required to, enact 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, 2012 include \$207,255 invested in a U.S. government security money market fund which is rated AAAM by Standard & Poor's. Investments as of June 30, 2012 include \$1,070,000 invested in certificates of deposit carried at cost and investments measured at fair value 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	\$ 27,909	\$ -	\$ -	\$ 27,909	\$ -	2.6%	AA+
Federal Home Loan Bank Series 9Q14, 4.625%, 9/12/2014	32,640	-	-	32,640	-	3.0	AA+
Federal Home Loan Bank Tap Issue, 4.875%, 12/14/2012	91,870	91,870	-	-	-	8.4	AA+
Federal Home Loan Bank Tap Issue, 5.375%, 9/09/2016	29,704	-	-	29,704	-	2.7	AA+
Federal Home Loan Bank Step up Coupon, 2.1%, 2/24/2017	200,542	-	-	200,542	-	18.4	AA+
Federal National Mortgage Association, 4%, 4/15/2013	252,191	252,191	-	-	-	23.2	AA+
Federal National Mortgage Association Pool #650406, 5.5%, 1/1/2016	56,833	-	-	56,833	-	5.2	NR
Federal National Mortgage Association Series 2003-23 Class PG, 5.5%, 1/25/2032	16,015	-	-	-	16,015	1.5	NR
Federal Home Loan Mortgage Series 2867 Class LG, 5.5%, 5/15/2033	103,244	-	-	-	103,244	9.5	NR
Federal National Mortgage Association Series 2006-65 Class TD, 5.5%, 10/25/2032	137,720	-	-	-	137,720	12.6	NR
Federal Home Loan Mortgage Series 3312 Class BP, 5.5%, 1/15/2031	68,573	-	-	-	68,573	6.3	NR
Small Business Administration Series 2005-P10B Class 1, 4.94%, 8/10/2015	71,877	-	-	71,877	-	6.6	NR
Total	\$ 1,089,118	\$ 344,061	\$ -	\$ 419,505	\$ 325,552	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 the bond resolution 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 table in Note 2.

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 ranging from 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, 2012 was \$32,515,000.

**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, 2012, the Department of Natural Resources provided \$1,938,610 to the Authority for payment of bond principal and 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 the Series 2006 Bonds 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 \$2,366,373 restricted for debt service at June 30, 2012.

Year Ending June 30	Series 2006 Bonds		
	Principal	Interest	Total
2013	\$ 565,000	\$ 1,473,285	\$ 2,038,285
2014	650,000	1,450,685	2,100,685
2015	740,000	1,424,685	2,164,685
2016	840,000	1,395,085	2,235,085
2017	945,000	1,361,485	2,306,485
2018-2022	5,330,000	6,206,070	11,536,070
2023-2027	6,685,000	4,844,875	11,529,875
2028-2032	8,480,000	3,049,725	11,529,725
2033-2036	8,280,000	952,200	9,232,200
Total	\$ 32,515,000	\$ 22,158,095	\$ 54,673,095

The following summarizes the bond payable activity of the Authority for the year ended June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable,					
Series 2006 bonds	\$ 33,000,000	\$ -	\$ (485,000)	\$ 32,515,000	\$ 565,000

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

Notes to Financial Statements

Note 4. Current Accounting Developments

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the Authority beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. Management is currently evaluating the impact on the Authority's financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the Authority beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. Management is currently evaluating the impact on the Authority's financial statements.

Honey Creek Premier Destination Park Authority

(A Component Unit of the State of Iowa)

Report to the Board

November 19, 2012



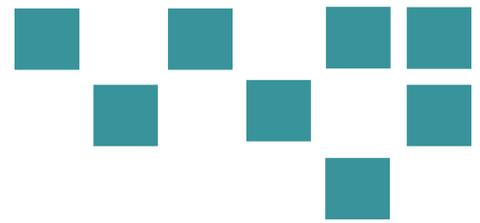
November 19, 2012

To the Board of the Honey Creek Premier Destination Park Authority
(A Component Unit of the State of Iowa)
Des Moines, Iowa

We are pleased to present this report related to our audit of the basic financial statements of Honey Creek Premier Destination Park Authority, a component unit of the State of Iowa, for the year ended June 30, 2012. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Honey Creek Premier Destination Park Authority, a component unit of the State of Iowa's financial reporting process.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Honey Creek Premier Destination Park Authority, a component unit of the State of Iowa.

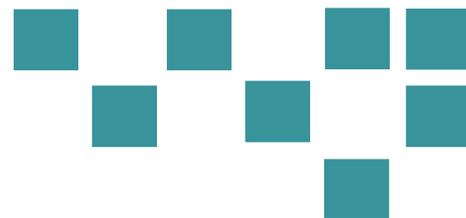
McGladrey LLP



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Required Communications



Auditing guidance requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications:

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, has been described to you in our arrangement letter dated September 11, 2012.
Accounting Practices	Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. In the current year, the Authority did not adopt any significant new accounting policies that had an effect on the financial statements, nor have there been any changes in existing significant accounting policies during the current period. Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Alternative Treatments Discussed with Management We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
Management's Judgments and Accounting Estimates	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."
Audit Adjustments	There was one audit adjustment made to the original trial balance presented to us to begin our audit. This adjustment was to reduce accrued interest and interest expense by approximately \$124,000.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Area	Comments
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Accounting Pronouncements	Management is currently assessing the impact of GASB Statement Nos. 63 and 65, as disclosed in Note 4 of the financial statements. Management has also determined GASB Statement Nos. 60, 61, 62, 66, 67 and 68 will not have a material effect on the financial statements and has chosen not to disclose these Statements in the financial statements.
Significant Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and management of the Authority are attached as Exhibit A.
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> is attached as Exhibit B.

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

Summary of Accounting Estimates

Year Ended June 30, 2012

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority’s June 30, 2012, financial statements:

Area	Accounting Policy	Estimation Process	Comments
Fair Value of Disclosures of Financial Instruments	The Authority records its financial instruments at estimated fair value.	The fair value of certain instruments is estimated to equal carrying value. Investments are based on quoted market prices. If quoted market prices are not available, fair value is based on estimated fair values provided by broker statements.	We tested the proprietary of information underlying management’s estimates. Based on our procedures, we concluded management’s estimate is reasonable.

Exhibit A – Significant Written Communications between Management and Our Firm



Telephone: (515) 281-5368
Fax: (515) 281-7562

Michael L. Fitzgerald
Treasurer of State
Capitol Building
Des Moines, Iowa 50319-0005

E-Mail: treasurer@tos.state.ia.us
Web: www.treasurer.state.ia.us

November 19, 2012

McGladrey LLP
400 Locust Street, Suite 640
Des Moines, Iowa 50309

In connection with your audit of the basic financial statements of Honey Creek Premier Destination Park Authority (Authority), a component unit of the State of Iowa, as of and for the year ended June 30, 2012, we confirm we are responsible for the fair presentation in the financial statements of financial position and changes in financial position in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of November 19, 2012, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. There are no organizations that are a part of the Authority's reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
 - a. Component units.
 - b. Other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
 - c. Jointly governed organizations in which we participated.
3. We are a component unit of the State of Iowa as this term is defined in Section 2100 of the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*.
4. We have identified for you all of our funds and governmental functions.
5. We have properly classified all funds and activities.
6. We are responsible for compliance with laws and regulations applicable to the Authority, including adopting, approving and amending budgets. The Authority does not, and is not required to, have an appropriation budget.
7. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

8. We have made available to you:
 - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 - i. Statutory, regulatory or contractual provisions or requirements.
 - ii. Financial reporting practices that could have a material effect on the financial statements.
9. We have no knowledge of fraud or suspected fraud affecting the Authority involving:
 - a. Management,
 - b. Employees who have significant roles in the internal control or
 - c. Others where the fraud could have a material effect on the financial statements.
10. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance fraud is prevented and detected.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting Honey Creek Premier Destination Park Authority, a component unit of the State of Iowa, received in communications from employees, former employees, analysts, regulators, short sellers or others.
12. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize and report financial data.
13. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
15. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Related-party transactions, including those with the primary government having accountability for the Authority, as defined in Section 2100 of the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and are appropriately classified and reported.
 - b. Restrictions on cash balances.

- c. Security agreements in effect under the Uniform Commercial Code.
 - d. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - e. The fair value of investments.
 - f. Debt issue provisions.
 - g. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Concentrations refer to volumes of business, revenues, available sources of supply or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - h. We believe the adoption of GASB Statement Nos. 57 and 64 are appropriate and had no effect on the financial statements in the current year.
 - i. As disclosed in Note 4, we are assessing the impact of GASB Statement Nos. 63 and 65, which have been issued but not yet adopted, on the financial statements.
 - j. We have determined GASB Statement Nos. 60, 61, 62, 66, 67 and 68, which have been issued but have not yet been adopted, will not have a material effect on the financial statements and have chosen not to disclose these Statements in the financial statements.
 - k. Deposits and investment securities category of custodial credit risk.
 - l. Net positions and fund balance classifications.
16. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made to reduce receivables to their estimated net collectable amounts.
17. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
 - d. Guarantees, whether written or oral, under which the Authority is contingently liable.
 - e. Line of credit or similar arrangements.
 - f. Agreements to repurchase assets previously sold.

- g. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - h. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - i. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - j. Leases or material amounts of rental obligations under long-term leases.
 - k. Authorized but unissued bonds and/or notes.
 - l. Risk financing activities.
 - m. Derivative financial instruments.
 - n. Special or extraordinary items.
 - o. Arbitrage rebate liabilities.
 - p. Capital assets.
 - q. Risk retention.
 - r. Pension obligations, post-retirement benefits other than pensions or deferred compensation agreements attributable to employee services rendered through June 30, 2012.
 - s. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - t. Material losses to be sustained as a result of purchase commitments.
 - u. Environmental cleanup obligations.
 - v. Investments, intangibles or other assets which have permanently declined in value.
18. We are not aware of any pending or threatened litigation, claims or assessments required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
19. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
20. We have satisfactory title to all owned assets.
21. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
22. Net asset components (restricted and unrestricted) and fund balances are properly classified and, when applicable, approved.
23. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.
24. Revenues are appropriately classified in the Statements of Activities within program revenues and general revenues.

25. With respect to Management's Discussion and Analysis presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such Required Supplementary Information.
 - b. We believe such Required Supplementary Information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
26. We have reviewed, approved and are responsible for overseeing the preparation and completion of the basic financial statements and related Notes to Financial Statements.
27. In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:
 - a. We are responsible for:
 - i. Compliance with the laws, regulations and provisions of contracts and grant agreements applicable to Honey Creek Premier Destination Park Authority, a component unit of the State of Iowa.
 - ii. Establishing and maintaining effective internal control over financial reporting.
 - b. We have identified and disclosed to you:
 - i. All laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - ii. There are no violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on compliance.
 - c. We have a process to track the status of audit findings and recommendations.
 - d. We have reviewed, approved and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
 - e. We have reviewed, approved and take full responsibility for all accrual adjustments and acknowledge the auditor's role in the preparation of the adjustments.

28. We are responsible for determining significant events or transactions that have occurred since the Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) date and through November 19, 2012 have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) date and through November 19, 2012 that would require recognition, or disclosure in, the financial statements. We further represent, as of November 19, 2012, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America and all approvals necessary for issuance of the financial statements had been obtained.
29. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

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



Stefanie Devin, Deputy Treasurer



Luke Donahue, State Treasurer's Office

**Exhibit B – 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***



**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 financial statements of the governmental activities and 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, 2012, and have issued our report thereon dated November 19, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 LLP

Des Moines, Iowa
November 19, 2012