



October 31, 2019

Board of Commissioners
Holiday Island Suburban Improvement District #1
Holiday Island, Arkansas

We have audited the financial statements of **Holiday Island Suburban Improvement District #1** (the District) as of and for the year ended December 31, 2018, and have issued our report thereon dated October 31, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As communicated in our engagement letter dated January 28, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 is not an objective of our audit.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Allowance for uncollectible assessments
- Useful lives of property and equipment
- Defined benefit pension plans liability is based upon actuarial valuation services provided by a third party

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to:

- Long-term debt obligations
- Property and equipment
- Retirement plans

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule shows the material misstatements that we identified as a result of our audit procedures and were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached management representation letter dated October 31, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

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

Landmark PLC

**LANDMARK PLC
CERTIFIED PUBLIC ACCOUNTANTS**

Rogers, Arkansas
October 31, 2019

Client: **Holiday Island Suburban Improvement District #1**
Engagement: **Holiday Island**
Period Ending: **12/31/2018**
Workpaper: **ADJUSTING JOURNAL ENTRIES REPORT**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 201				
Entry to roll equity				
3000	Retained Earnings		1,362.00	
4140-990	Miscellaneous Income			1,362.00
Total			1,362.00	1,362.00
Adjusting Journal Entries JE # 202				
To reverse accrued interest entry client posted backwards and post corrected entry				
1230	Interest Receivable	TB	3,516.00	
1230	Interest Receivable		3,516.00	
4960-990	Interest Income			3,516.00
4960-990	Interest Income			3,516.00
Total			7,032.00	7,032.00
Adjusting Journal Entries JE # 203				
To adjust allowance for doubtful accounts				
5540-990	Assessment Expense - Uncollect	803c	20,591.00	
1290	Allowance for Uncollectable As			20,591.00
Total			20,591.00	20,591.00
Adjusting Journal Entries JE # 204				
To record 2018 pension activity				
1990	Deferred Outflows of Resources	1050.00a	79,397.00	
6290	Pension Expense		22,028.00	
2477	Net Pension Liability			73,867.00
2990	Deferred Inflows of Resources			27,558.00
Total			101,425.00	101,425.00
Adjusting Journal Entries JE # 205				
To adjust depreciation				
1900	Accumulated Depreciation	807c	50,327.00	
6150-010	Depreciation Expense			478.00
6150-020	Depreciation Expense			9,769.00
6150-030	Depreciation Expense			17,401.00
6150-040	Depreciation Expense			8,709.00
6150-060	Depreciation Expense			1,490.00
6150-070	Depreciation Expense			109.00
6150-080	Depreciation Expense			3,543.00
6150-090	Depreciation Expense			1,853.00
6150-100	Depreciation Expense			2,894.00
6150-110	Depreciation Expense			1,364.00
6150-130	Depreciation Expense			59.00
6160-020	Rolling Stock Replacement (dep			158.00
6160-030	Rolling Stock Replacement (dep			189.00
6160-040	Rolling Stock Replacement (dep			179.00
6160-060	Rolling Stock Replacement (dep			707.00
6160-070	Rolling Stock Replacement (dep			73.00
6160-080	Rolling Stock Replacement (dep			1,316.00
6160-100	Rolling Stock Replacement (dep			36.00
Total			50,327.00	50,327.00

Client: *Holiday Island Suburban Improvement District #1*
 Engagement: *Holiday Island*
 Period Ending: *12/31/2018*
 Workpaper: *ADJUSTING JOURNAL ENTRIES REPORT*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 206		809b		
To correct accrued vacation				
5300-990	Wages		12,866.00	
2060	Wages Payable			12,866.00
Total			12,866.00	12,866.00
Adjusting Journal Entries JE # 207		808d		
To record advertisng expense incurred in 2018 but paid in 2019				
6500-990	Advertising		12,440.00	
2010	Accounts Payable - Trade			12,440.00
Total			12,440.00	12,440.00

Holiday Island

Suburban Improvement District

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Holiday Island, AR 72631
(479) 253-9700
hisid@holidayisland.us

October 31, 2019

LANDMARK PLC
CERTIFIED PUBLIC ACCOUNTANTS
2003 S. Horsebarn Road, Suite 4
Rogers, Arkansas 72758

This representation letter is provided in connection with your audits of the financial statements of Holiday Island Suburban Improvement District #1 ("the District") as of December 31, 2018 and 2017 for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 31, 2019:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 28, 2019, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.

7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Significant assumptions used by us in making accounting estimates are reasonable.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
10. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
13. All funds and activities are properly classified.
14. All funds that meet the quantitative criteria in GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and GASB Statement No. 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus, as amended, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
15. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
16. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
17. All net assets components and fund balance classifications have been properly reported.
18. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
19. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
20. All interfund and intra-entity transactions and balances have been properly classified and reported.
21. Special items and extraordinary items have been properly classified and reported.
22. Deposit and investment risks have been properly and fully disclosed.
23. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

24. All required supplementary information is measured and presented within the prescribed guidelines.

25. We have evaluated the entity's ability to continue as a going concern for a period of one year from October 31, 2019 and have determined that there is not a substantial doubt that the entity will be able to meet its obligations as they come due.

Information Provided

26. We have provided you with:

- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
- b. Additional information that you have requested from us for the purpose of the audit; and
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

27. All transactions have been recorded in the accounting records and are reflected in the financial statements.

28. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

29. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a. Management;
- b. Employees who have significant roles in internal control; or
- c. Others where the fraud could have a material effect on the financial statements.

30. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.

31. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

32. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

33. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

34. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

35. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

36. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
37. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
38. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
39. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
40. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
41. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Other Matters

42. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved and accept responsibility for those financial statements and related notes.
43. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
44. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
45. Provisions for uncollectible receivables have been properly identified and recorded.
46. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for

which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.

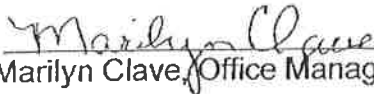
47. We have appropriately disclosed the entity's accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
48. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with 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.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - e. We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
 - f. We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
49. In regards to the nonattest services performed by you, we have:
 - a. Made all management decisions and performed all management functions.
 - b. Designated an individual with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
50. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.

51. Tax-exempt bonds issued have retained their tax-exempt status.

To the best of our knowledge and belief, no events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the financial statements. We have responded fully and truthfully to all inquiries made to us by you during your audits.



Lawrence Blood, District Manager



Marilyn Clave, Office Manager