

**OSCEOLA COUNTY ECONOMIC
DEVELOPMENT COMMISSION**

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

JUNE 30, 2007

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OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

OFFICIALS/MEMBERS

Fiscal Year Ending June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Kevin Espey	Chairman	City of Ocheyedan
Lila Hatting	Vice-Chairperson	City of Sibley
Brian Mino	Treasurer	City of Ashton
Jack Benz	Board of Directors	City of Melvin
Jeff Loring	Board of Directors	City of Harris
Daryl Streng	Board of Directors	Osceola County
Kirk Grau	Executive Director	
Peggy Steinmetz	Administrative Assistant	

Independent Auditor's Report

To the Officials/Members of the Osceola County Economic Development Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Osceola County Economic Development Commission (OCEDC), as of and for the fiscal year ended June 30, 2007, which collectively comprise the Commission's basic financial statements listed in the table of contents. These financial statements are the responsibility of Osceola County Economic Development Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 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 financial position of the governmental activities and each major fund of the Osceola County Economic Development Commission at June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2008 on our consideration of the Osceola County Economic Development Commission'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 27 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Osceola County Economic Development Commission's basic financial statements. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De Noble & Company PC
Certified Public Accountants

June 13, 2008

**Osceola County Economic Development Commission
Management's Discussion & Analysis**

Osceola County Economic Development Commission (OCEDC) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the OCEDC's financial statements, which follow.

2007 Financial Highlights

- Governmental activities revenue decreased 33% or \$63,095 from fiscal year 2006 to fiscal year 2007. Operating grants, contributions, and restricted interest decreased \$66,273.
- Program expenses of the OCEDC's governmental activities increased 46% or \$49,419 more in fiscal year 2007 than fiscal year 2006. Loan program expenses increased \$51,665.
- The OCEDC's net assets decreased 4% or \$30,192 from fiscal year 2006 to fiscal year 2007.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the OCEDC's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the OCEDC as a whole and present an overall view of the OCEDC's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the OCEDC's operations in more detail than the government-wide statements by providing information about the funds. The remaining statements provide financial information about activities for which the OCEDC acts solely as an agent or custodian for the benefit of those outside of the OCEDC (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information that further explains and supports the financial statements with a comparison of the OCEDC's General Fund budget for the year.
- Other Supplementary Information further provides additional detailed information about the individual Agency Funds fiscal year activities.

Reporting the OCEDC's Financial Activities as a Whole

Government-Wide Financial Statements

One of the most important questions asked about the OCEDC's finances is "Is the OCEDC as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the OCEDC’s assets and liabilities, with the difference between the two reported as “net assets”. Over time, increases or decreases in the OCEDC’s net assets may serve as a useful indicator of whether the financial position of the OCEDC is improving or deteriorating.

The Statement of Activities presents information showing how the OCEDC’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the 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 in cash flows until future fiscal periods.

The OCEDC’s governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include loan programs and administration and general. Member assessments and investment earnings finance most of these activities. The OCEDC has no business type activities.

Fund Financial Statements

The OCEDC has two kinds of funds:

- 1) Governmental Funds account for the OCEDC’s basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the OCEDC’s general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the OCEDC’s programs. The required financial statements for Governmental Funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.
- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the OCEDC’s own programs. The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities from a year ago.

Net Assets of Governmental Activities

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current Assets	\$ 256,060	\$ 270,967
Notes Receivable	490,118	499,459
Capital Assets	<u>3,393</u>	<u>2,245</u>
Total Assets	<u>749,571</u>	<u>772,671</u>
Other Liabilities	<u>12,680</u>	<u>5,588</u>

Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,393	2,245
Restricted for Revolving Loan Purposes	668,078	698,374
Restricted for Spec Property Loan Purposes	16,922	16,871
Unrestricted	48,498	49,593
	<hr/>	<hr/>
Total Net Assets	\$ 736,891	\$ 767,083
	<hr/> <hr/>	<hr/> <hr/>

The net assets of the OCEDC decreased by \$30,192. The largest portion of the OCEDC's net assets is restricted for revolving loan purposes. Restricted net assets represent resources that are subject to external restrictions on how they can be used. Net assets restricted for revolving loan purposes decreased \$30,296 or 4%. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – decreased \$1,095 or 2%.

The reduction in the restricted net assets was primarily a result of a loss on an uncollectible note receivable of \$54,453. There is one note receivable that may not be collectible as the company has declared bankruptcy.

Changes in Net Assets of Governmental Activities

	Year Ended June 30, 2007	Year Ended June 30, 2006
	<hr/>	<hr/>
Program Revenues:		
Charges for Service	\$ 1,369	\$ 3,279
Operating Grants, Contributions, and Restricted Interest	95,500	161,773
Capital Grants, Contributions, and Restricted Interest	2,025	
General Revenues:		
Grants and Contributions Not Restricted to Specific Purposes	500	3,579
Unrestricted Investment Earnings	26,942	20,800
Total Revenues	<hr/> 126,336	<hr/> 189,431
Program Expenses:		
Loan Programs	58,168	6,503
Administration and General	98,360	100,606
Total Expenses	<hr/> 156,528	<hr/> 107,109
Excess of Revenues Over Expenditures	(30,192)	82,322
Net Assets Beginning of Year, As Restated	<hr/> 767,083	<hr/> 684,761
Net Assets End of Year	<hr/> <hr/> \$ 736,891	<hr/> <hr/> \$ 767,083

Revenues or governmental activities decreased \$63,095 over the prior year. This decrease is mainly due to the decrease in funding received from the U.S. Department of Agriculture.

The cost of all governmental activities this year was \$156,528 compared to \$107,109 last year. Loan program expenses increased \$51,665.

Individual Major Fund Analysis

The OCEDC uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

General Fund Analysis

General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a modest decline of \$1,970 from the prior year amount of \$56,054 to \$54,084.

Revolving Loan Fund Analysis

The Revolving Loan Fund showed a decrease in fund balance in fiscal year 2007 of \$29,549, from \$695,156 to \$665,607. This compares to a \$76,824 increase in fund balance during fiscal year 2006. Revenues decreased \$66,412 which corresponds with the USDA grant funds decreasing \$68,924 from the prior year. Additionally, expenditures increased \$51,665. This was primarily due to a loss on an uncollectible note receivable of \$54,453.

Spec Property Loan Fund Analysis

The Spec Property Loan Fund showed an increase in fund balance in fiscal year 2007 of \$50, which represents interest income earned on bank balances.

Budgetary Highlights

The OCEDC's Board annually adopts a budget for the General Fund on the modified accrual basis. The budget may be amended during the fiscal year with Board approval. During the fiscal year, the OCEDC amended the General Fund budget once. Total expenditures increased by \$830 in the amended General Fund budget. During the fiscal year ended June 30, 2007, actual revenue came in below the amount budgeted by \$7,655 and actual expenditures came in below the amount budgeted by \$6,515.

Capital Assets

At June 30, 2007, the OCEDC had \$10,634 invested in capital assets. This is an increase of \$2,361, or 3%, over last year.

	June 30, 2007	June 30, 2006
Furniture and Fixtures	\$ 4,015	\$ 3,805
Computer Equipment	6,094	3,943
Other Equipment	525	525
Total	\$ 10,634	\$ 8,273

This year's major additions included:

Computer equipment received through a grant from the Community Foundation of Osceola County	\$ 1,825
File cabinets contributed by Osceola County	200
Office furniture and computer equipment	336
	<u>\$ 2,361</u>

The OCEDC had depreciation expense of \$1,213 in fiscal year 2007 and total accumulated depreciation of \$7,241 at June 30, 2007.

Debt Administration

The OCEDC had no outstanding notes or bonds as of June 30, 2007. The OCEDC did take out an \$11,020 loan to help cover a Revolving Loan Fund note receivable in December 2006 that was repaid in January 2007.

Economic Factors

The OCEDC is dependent on the economic health of the Osceola County, Iowa businesses that have been loaned money (the ability of these businesses to make payments on their notes).

Contacting the OCEDC's Financial Management

This financial report is designed to provide the citizens of Osceola County, borrowers, and creditors with a general overview of the OCEDC's finances and to show the OCEDC's accountability for the money it receives. If you have any questions about this report or need additional information, contact Kirk Grau at 300 7th Street, Sibley, Iowa 51249 (phone number: 712-754-2523).

Osceola County Economic Development Commission
Basic Financial Statements

Osceola County Economic Development Commission
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Cash	\$ 41,935
Certificates of Deposit	209,501
Due from Agency Fund	810
Prepaid Expenses	774
Interest Receivable	3,040
Notes Receivable – Agency Fund (Related Party)	30,616
Notes Receivable – Related Parties	9,200
Notes Receivable (Net of Allowance for Doubtful Accounts)	450,302
Capital Assets (Net of Accumulated Depreciation)	3,393
Total Assets	749,571
Liabilities	
Accounts Payable	161
Payroll and Taxes, Benefits Payable	3,989
Deferred Revenue	744
Due to Agency Fund	2,200
Compensated Absences	5,586
Total Liabilities	12,680
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,393
Restricted for:	
Revolving Loan Purposes	668,078
Spec Property Loan Purposes	16,922
Unrestricted	48,498
Total Net Assets	\$ 736,891

See Notes to Financial Statements.

**Osceola County Economic Development Commission
Statement of Activities
Year Ended June 30, 2007**

	Program Revenues				
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue & Changes in Net Assets	
Functions/Programs:					
Governmental Activities:					
Loan Programs	\$ 58,168	1,369	5,062	0	(51,737)
Administration & General	98,360	0	90,438	2,025	(5,897)
Total	\$ 156,528	1,369	95,500	2,025	(57,634)
 General Revenues:					
Grants and Contributions Not Restricted to Specific Purpose					500
Unrestricted Investment Earnings					26,942
Total General Revenues					27,442
Change in Net Assets					(30,192)
Net Assets Beginning of Year, as Restated					767,083
Net Assets End of Year					\$ 736,891

See Notes to Financial Statements.

Osceola County Economic Development Commission
Balance Sheet
Governmental Funds
June 30, 2007

	Special Revenue			Total
	General Fund	Revolving Loan Fund	Spec Property Loan Fund	
Assets				
Cash	\$ 3,009	34,460	4,466	41,935
Certificates of Deposit	56,232	153,269	0	209,501
Due from General Fund	0	1,443	0	1,443
Due from Agency Fund	0	810	0	810
Prepaid Expenditures	774	0	0	774
Interest Receivable	406	2,634	0	3,040
Notes Receivable – Agency Fund (Related Party)	0	30,616	0	30,616
Notes Receivable – Related Parties	0	0	9,200	9,200
Notes Receivable (Net of Allowance for Doubtful Accounts)	0	447,046	3,256	450,302
Total Assets	\$ 60,421	670,278	16,922	747,621
Liabilities				
Accounts Payable	\$ 161	0	0	161
Payroll and Taxes, Benefits Payable	3,989	0	0	3,989
Due to Revolving Loan Fund	1,443	0	0	1,443
Due to Agency Fund	0	2,200	0	2,200
Deferred Revenue	744	2,471	0	3,215
Total Liabilities	6,337	4,671	0	11,008
Fund Balances				
Reserved for Notes Receivable	0	462,100	12,222	474,322
Unreserved, reported in:				
General Fund	54,084			54,084
Special Revenue Funds		203,507	4,700	208,207
Total Fund Balances	54,084	665,607	16,922	736,613
Total Liabilities and Fund Balances	\$ 60,421	670,278	16,922	747,621

See Notes to Financial Statements.

**Osceola County Economic Development Commission
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets
June 30, 2007**

Total Governmental Fund Balances (page 12)	\$ 736,613
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$10,634 and the accumulated depreciation is \$7,241.	3,393
Other long-term assets that produce revenues are not available to pay current period expenditures and, therefore, are deferred in the funds.	2,471
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,586)</u>
Net Assets of Governmental Activities (page 10)	<u>\$ 736,891</u>

See Notes to Financial Statements.

Osceola County Economic Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	General Fund	Special Revenue		Total
		Revolving Loan Fund	Spec Property Loan Fund	
Revenues:				
Contributions from Public Entity Members (Related Parties)	\$ 90,438	0	0	90,438
Grants and Contributions	1,230	0	0	1,230
Interest Income - Banks	2,452	6,844	50	9,346
Interest Income - Notes	0	15,344	0	15,344
USDA Grant	0	5,062	0	5,062
Loan Application and Documentation Fees	0	1,369	0	1,369
Total Revenues	94,120	28,619	50	122,789
Expenditures:				
Salaries	65,735	0	0	65,735
IPERS	3,780	0	0	3,780
Payroll Taxes	5,329	0	0	5,329
Employee Benefits	11,229	0	0	11,229
Workman's Compensation	630	0	0	630
Auto Allowance	2,400	0	0	2,400
Bond Insurance	433	0	0	433
Loan Fees and Expenses	0	3,395	0	3,395
Newspaper Publishings	161	0	0	161
Office Expense	1,164	16	0	1,180
Postage	596	0	0	596
Professional Fees	884	304	0	1,188
Publications/Professional Dues	212	0	0	212
Special Projects	590	0	0	590
Tech and Website Management	1,075	0	0	1,075
Telephone	1,720	0	0	1,720
Travel and Meals	152	0	0	152
Loss on Uncollectible Note Receivable	0	54,453	0	54,453
Total Expenditures	96,090	58,168	0	154,258
Net Change in Fund Balances	(1,970)	(29,549)	50	(31,469)
Fund Balances - Beginning of Year, As Restated	56,054	695,156	16,872	768,082
Fund Balances - End of Year	\$ 54,084	665,607	16,922	736,613

See Notes to Financial Statements.

Osceola County Economic Development Commission

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds (page 14) \$ (31,469)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets	336	
Contributed capital assets	2,025	
Depreciation expense	(1,213)	1,148

Because some revenues will not be collected for several months after the Commission's year end, they are not considered available revenue and are deferred in the governmental funds. The resulting timing difference is as follows:

Note receivable interest	1,882	
Bank interest	371	
Other	(730)	1,523

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, as follows:

Compensated absences		(1,394)

Changes in Net Assets of Governmental Activities (page 11) \$ (30,192)

Osceola County Economic Development Commission

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	City Of Sibley Revolving Loan	ChatRoom	Community Foundation of Osceola County	Total
Assets				
Cash	\$ 33,348	7,303	18,496	59,147
Interest Receivable	962	0	0	962
Due from Primary Government	0	0	2,200	2,200
Notes Receivable	212,641	0	0	212,641
Total Assets	246,951	7,303	20,696	274,950
Liabilities				
Due to Primary Government	810	0	0	810
Note Payable – Primary Government	30,616	0	0	30,616
Due to Other Governments	215,525	0	0	215,525
Trusts Payable	0	7,303	20,696	27,999
Total Liabilities	246,951	7,303	20,696	274,950
Net Assets	\$ 0	0	0	0

See Notes to Financial Statements.

Osceola County Economic Development Commission
Notes to Financial Statements
June 30, 2007

1) Summary of Significant Accounting Policies

The Osceola County Economic Development Commission (OCEDC) was formed July 1, 1988, under an intergovernmental agreement pursuant to the Chapter 28E of the Code of Iowa as a separate entity for legal purposes. This agreement was made by and among the County of Osceola, Iowa, and the Cities of Ashton, Harris, Melvin, Ocheyedon, and Sibley, Iowa.

The governmental commission consists of a representative appointed by the Osceola County Board of Supervisors, and one representative appointed by each City Council of the following cities: Ashton, Harris, Melvin, Ocheyedon, and Sibley. Each representative has one vote.

Under the 28E agreement, each member shall be assessed annually and agrees to pay a share of the expenses of the operation of the OCEDC. These member contributions are a critical financial source of the OCEDC. During the fiscal year ended June 30, 2007, the total contributions from public entity members were as follows:

Osceola County	\$ 45,000
City of Ashton	2,521
City of Harris	618
City of Melvin	1,406
City of Ocheyedon	2,893
City of Sibley	38,000
	\$ 90,438

The OCEDC's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the OCEDC has included all funds, organizations, agencies, boards, commissions, and authorities. The OCEDC 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 OCEDC are such that exclusion would cause the OCEDC's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the OCEDC 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 OCEDC. Criteria also can include an organization's fiscal dependency on the OCEDC or if it would be significantly misleading to exclude an organization because of its relationship with the OCEDC. The OCEDC has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all the nonfiduciary activities of the OCEDC. For the most part, the effect of interfund activity has been removed from these statements. OCEDC activities are supported primarily by member contributions, grant revenue from the USDA, interest received on loans from ultimate recipients, investment interest, loan application and documentation fees, and donations.

The Statement of Net Assets presents the OCEDC's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The OCEDC reports the following major governmental funds:

The General Fund is the general operating fund of the OCEDC. All contributions agreed to by the different entities within the intergovernmental agreement and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures and fixed charges that are not paid from other funds.

Special Revenue:

The Revolving Loan Fund is used to provide financial assistance to attract, retain, or expand business that would generate public gains and benefits within Osceola County. These funds are loaned out to businesses with a pay back period of not more than ten years. All interest earned stays within the fund.

The Spec Property Loan Fund is used to provide financial assistance to development corporations for new construction, purchase of existing commercial/retail property, acquisitions of land, and/or demolition or renovation of spec property within the Cities of Ashton, Harris, Melvin, Ocheyedan, and Sibley, Iowa. These funds are targeted toward properties which potentially generate public gains and benefits. Funds can be used for a 0% or low-interest loan which would be paid back to the pool when the property is sold. All interest earned stays in the fund.

Additionally, the OCEDC reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the OCEDC as an agent for private organizations and other governmental units.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the OCEDC considers revenues to be available if they are collected within 60 days after year end.

To properly account for the notes receivable, the notes receivable are also shown on the OCEDC's Balance Sheet (Governmental Funds), even though some of the notes receivable balance is not considered to be a current asset. Although all the notes receivable balance is measurable, some of the notes receivable balance is not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within sixty days after the end of the fiscal year). The account, fund balances - reserved for notes receivable, represents the amount of the notes receivable and the resulting fund balance that is not available within the current period or soon enough thereafter to be used to pay liabilities of the current period (see Note 4 for notes receivable amounts).

Intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the OCEDC.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources, as applicable.

D. Assets, Liabilities and Fund Balances

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

Cash and Certificates of Deposit – The OCEDC has its cash invested in interest bearing bank accounts and certificates of deposit located in banking institutions within Osceola County. The OCEDC also earns interest from direct notes receivable (See Note 4). The interest earned on the cash accounts, certificates of deposit and notes receivable is recorded and maintained in the appropriate funds.

Due from General Fund, Due from/to Agency Funds, Due to Revolving Loan Fund and Due from/to Primary Government – During the course of its operations, the OCEDC had transactions between the OCEDC's governmental funds and the agency funds, and had made deposits into or made payments out of the incorrect fund. To the extent that the deposits between bank accounts and certain transactions between the OCEDC's governmental funds and agency funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Prepaid Expenses/Expenditures – Prepaid expenses are recorded as expense/expenditure when utilized rather than when paid.

Capital Assets – Capital assets, which include equipment, are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The OCEDC does not have a Board approved capitalization policy. Capital assets of the OCEDC are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives
Computer Equipment	5 years
Furniture and Fixtures	10 years
Other Equipment	10 years

Compensated Absences – OCEDC employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned, retired or employment has terminated for another reason (which there was none). The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected for the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of accrued interest receivable not collected within sixty days after year end and fiscal year 2007-2008 member assessments paid in advance.

Deferred revenue in the Statement of Net Assets consists of assessment revenue received during the year which will not be recognized as revenue until the year for which it was assessed.

Trusts Payable – Trusts payable represents amounts due to others which are held in fiduciary capacities.

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

E. Budgets and Budgetary Accounting

The OCEDC Board annually adopts a budget on the modified accrual basis for the General Fund. The budget may be amended during the year. During the year ended June 30, 2007, the General Fund budget was not exceeded; however, the original budget was not formally approved by the OCEDC Board in the minutes.

2) Cash and Certificates of Deposit

The OCEDC's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The OCEDC is authorized by statute and the OCEDC's written investment policy to invest public funds in certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the OCEDC's Board.

The OCEDC has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3) Due from General Fund, Due from Agency Funds, Due from Primary Government, Due to Revolving Loan Fund, Due to Agency Funds, and Due to Primary Government

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Revolving Loan Fund	General Fund	\$ 1,443
Special Revenue: Revolving Loan Fund	Agency Fund: City of Sibley Revolving Loan	810
Agency Fund: Community Foundation of Osceola County	Special Revenue: Revolving Loan Fund	2,200
Total		\$ 4,453

The \$1,443 in General Fund and Revolving Loan Fund receivable and payable is Revolving Loan Fund revenue which was deposited into General Fund bank accounts by error. During the year ended June 30, 2007, the Community Foundation of Osceola County paid \$2,200 to the Revolving Loan Fund in error and, therefore, this money is due back to the Community Foundation of Osceola County. The \$810 due to the Revolving Loan Fund from the City of Sibley Revolving Loan Fund represents accrued interest on a loan between the funds (see Note 4).

4) Notes Receivable, Notes Receivable – Agency Fund, and Notes Receivable – Related Parties

A. Revolving Loan Fund

The OCEDC'S mission of implementing economic development projects within Osceola County is being accomplished by the lending of monies for various economic development projects at a reasonable rate of interest.

The notes issued carry an interest rate from 3% to 4.5%. The terms of notes vary from three years to five years, with some extensions granted for hardships that meet certain criteria. The amount shown on the

statement of net assets as of June 30, 2007 reflects the amount due on those notes receivable as of that date and is computed as follows:

Balance on June 30, 2006	\$ 485,599
New Notes Issued	270,503
Payments on Principal	(223,987)
Less Allowance for Doubtful Accounts	(54,453)
Balance on June 30, 2007	<u>\$ 477,662</u>
Less Portion Received by August 29, 2007	(15,562)
Non-Current Notes Receivable	<u>\$ 462,100</u>

The following are the scheduled amounts of notes receivable principal coming due for the fiscal years ending:

June 30, 2008	\$ 99,892
June 30, 2009	69,004
June 30, 2010	95,391
June 30, 2011	121,583
June 30, 2012	83,972
June 30, 2013 and After	7,820
	<u>\$ 477,662</u>

Loans are carried as notes receivable until deemed uncollectible. During 2007, there was no note receivable formally written off. However, there is one \$54,453 note receivable which there is likelihood that the amount will be uncollectible due to bankruptcy. An allowance for doubtful accounts of \$54,453 has been recorded as of June 30, 2007 to reflect this.

During the year ended June 30, 2006, the City of Sibley Revolving Loan Fund (Agency Fund) entered into a loan agreement with the OCEDC for \$37,702. This note is scheduled to be paid back over 5 years at a 3% interest rate. The balance as of June 30, 2007 on this note was \$30,616 and is included in the above totals. This amount is reported separately in the financial statements as notes receivable – agency fund (related party).

B. Spec Property Loan Fund

The notes issued carry an interest rate of 0%. The terms of the notes run until the spec property is sold. Several of the notes receivable are with cities which are members of the OCEDC and are therefore considered to be with related parties. All notes receivable - related parties are considered non-current as of June 30, 2007.

The note receivable balance of \$3,256 is due in monthly installments of \$117. As of June 30, 2007, \$234 is considered currently available (received by August 29, 2007) and \$3,022 is considered non-current. Total annual payments due are as follows:

June 30, 2008	\$ 1,404
June 30, 2009	1,404
June 30, 2010	448
	<u>\$ 3,256</u>

C. City of Sibley Revolving Loan Fund

The amount shown on the Combining Statement of Fiduciary Assets and Liabilities as of June 30, 2007 reflects the amount due for notes receivable issued and outstanding as part of the City of Sibley Revolving Loan Fund. These notes carry interest rates of 4.5%. The following are the scheduled amounts of notes receivable principal coming due for the fiscal years ending:

June 30, 2008	\$	40,801
June 30, 2009		32,924
June 30, 2010		34,436
June 30, 2011		75,036
June 30, 2012		29,444
	\$	<u>212,641</u>

5) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and Fixtures	\$ 3,805	210	0	4,015
Computer Equipment	3,943	2,151	0	6,094
Other Equipment	525	0	0	525
	<u>8,273</u>	<u>2,361</u>	<u>0</u>	<u>10,634</u>
Less Accumulated Depreciation	6,028	1,213	0	7,241
Governmental Activities Capital Assets, Net	<u>\$ 2,245</u>	<u>1,148</u>	<u>0</u>	<u>3,393</u>

Depreciation expense of \$1,213 was charged to the Administration & General function.

6) Short-Term Loan Payable

In December 2006, the OCEDC took out a short-term loan payable for \$11,020 with a 6.57% interest rate. The proceeds were used to help in the issuance of a note receivable in the Revolving Loan Fund. In January 2007, total principal and interest were paid in full. The note payable balance as of June 30, 2007 was \$0. The total interest expense included in the Revolving Loan Fund for the year ended June 30, 2007 was \$81.

7) Due to Other Governments

The OCEDC is acting as an agent for the City of Sibley's revolving loan program. The amount due to the City of Sibley as of June 30, 2007 was \$215,525.

8) Changes in Compensated Absences

A summary of changes in compensated absences for the fiscal year ended June 30, 2007 is as follows:

	<u>Compensated Absences</u>
Balance – Beginning of Year	\$ 4,192
Additions	1,394
Reductions	0
Balance – End of Year	<u>\$ 5,586</u>

9) Pension and Retirement Benefits

The OCEDC contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the OCEDC is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The OCEDC's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$3,780, \$3,618 and \$4,180, respectively, equal to the required contributions for each year on reported wages. Please see "Other Findings Related to Required Statutory Reporting 07-10" for a related comment.

10) Risk Management

The OCEDC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Surety bond and workers compensation related risks are covered by commercial insurance purchased from independent third parties. The OCEDC assumes liability for any deductibles and claims in excess of coverage limitations for surety bond and workers compensation related risks. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The OCEDC has not purchased any commercial insurance coverage and has not set aside any funds for additional possible risks of loss.

11) Accounting Corrections

During the current year audit, it was discovered that the bank had reported an incorrect balance for one of the OCEDC's certificates of deposit as of June 30, 2006. This bank error resulted in an overstatement of the certificates of deposit asset balance and interest income for the year ended June 30, 2006 by \$3,000 in the Revolving Loan Fund. The beginning net assets for Governmental Activities and the Governmental Fund Balance have been restated to correct this error as follows:

<u>Government-Wide Activities</u>	<u>Amount</u>
Net Assets June 30, 2006, As Previously Reported	\$ 770,083
Adjustment to Certificate of Deposit Balance	(3,000)
Net Assets July 1, 2006, As Restated	<u>\$ 767,083</u>

Governmental Fund Balance – Revolving Loan Fund
Fund Balance June 30, 2006, As Previously Reported
Adjustment to Certificate of Deposit Balance
Fund Balance July 1, 2006, As Restated

	\$ 698,156
	<u>(3,000)</u>
	<u>\$ 695,156</u>

12) Subsequent Events

In August 2007, a company that has a note receivable from the Revolving Loan Fund declared bankruptcy. The balance at June 30, 2007, and still outstanding after bankruptcy, is \$54,453. At this time, the OCEDC has not determined the exact amount that may be uncollectible but as of June 30, 2007 has recorded an allowance for doubtful accounts for the entire balance.

In August 2007, the OCEDC loaned \$36,000 to Osceola County to be used by the County to make the down payment on land purchased for economic development at a 0% interest rate. The loan was paid from the Revolving Loan Fund. The entire \$36,000 balance was paid in full in December 2007.

In February 2008, the Revolving Loan Fund issued a note receivable to Osceola County for \$140,000. This note receivable carries a 4.5% interest rate. Payments are scheduled to be made on this note receivable quarterly based on a 25 year payback schedule with a balloon payment due after 10 years.

13) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Osceola County Economic Development Commission

Required Supplementary Information

Osceola County Economic Development Commission

**Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances–
Budget and Actual (Modified Accrual Basis) – General Fund
Required Supplementary Information
Year Ended June 30, 2007**

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Revenue:				
Contributions from Public Entity				
Members (Related Parties)	\$ 90,438	87,787	87,787	2,651
Grants and Contributions	1,230	5,128	5,128	(3,898)
Interest Income – Banks	2,452	5,356	5,356	(2,904)
Miscellaneous Income	0	3,504	3,504	(3,504)
Total Revenue	94,120	101,775	101,775	(7,655)
Expenditures:				
Salaries	65,735	65,976	65,976	(241)
IPERS	3,780	3,813	3,813	(33)
Payroll Taxes	5,329	5,125	5,125	204
Employee Benefits	11,229	9,576	9,576	1,653
Workman’s Compensation	630	634	634	(4)
Auto Allowance	2,400	2,400	2,400	0
Bond Insurance	433	434	434	(1)
Newspaper Publishings	161	0	0	161
Office Expense	1,164	1,500	1,500	(36)
Postage	596	1,000	1,000	(404)
Professional Fees	884	5,649	6,479	(5,595)
Publications/Professional Dues	212	500	500	(288)
Special Projects	590	1,500	1,500	(910)
Tech and Website Management	1,075	840	840	235
Telephone	1,720	2,500	2,500	(780)
Travel and Meals	152	328	328	(176)
Total Expenditures	96,090	101,775	102,605	(6,515)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,970)	0	(830)	(1,140)

See Accompanying Independent Auditor’s Report.

Osceola County Economic Development Commission

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41. The OCEDC's Board annually adopts a budget for the General Fund on the modified accrual basis. The budget may be amended during the fiscal year with Board approval.

During the fiscal year, the OCEDC amended the General Fund budget once. Total revenue did not change and total expenditures decreased by \$830 in the amended General Fund budget.

During the year ended June 30, 2007, the Commission did not exceed its budget; however, the original budget was not formally approved by the OCEDC's Board in the minutes.

Osceola County Economic Development Commission
Other Supplementary Information

Osceola County Economic Development Commission
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2007

	City of Sibley Revolving Loan	ChatRoom	Community Foundation of Osceola County	D.O.R.A.	Total
Assets and Liabilities					
Balances Beginning of Year	\$ 236,014	5,646	15,036	0	256,696
Additions:					
Grant Income	7,130	2,584	46,316	0	56,030
Chat Room Income	0	1,500	0	0	1,500
Loan Application and Documentation Fees	751	0	0	0	751
Interest Income	9,883	0	0	0	9,883
Miscellaneous/Trusts	0	157	0	1,200	1,357
Total Additions	17,764	4,241	46,316	1,200	69,521
Deductions:					
Agency Remittances:					
To Primary Government Funds	5,421	0	2,556	0	7,977
To Other Governments	1,406	0	0	0	1,406
Trusts Paid Out	0	2,584	38,100	1,200	41,884
Total Deductions	6,827	2,584	40,656	1,200	51,267
Balances End of Year	\$ 246,951	7,303	20,696	0	274,950

See Accompanying Independent Auditor's Report.

Osceola County Economic Development Commission

**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

To the Officials/Members of Osceola County Economic Development Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Osceola County Economic Development Commission (OCEDC) as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements listed in the table of contents and have issued our report thereon dated June 13, 2008. We conducted our audit in accordance with U. S. generally accepted auditing standards 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 OCEDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the OCEDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OCEDC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the 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 OCEDC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the OCEDC's financial statements that is more than inconsequential will not be prevented or detected by the OCEDC's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-A, B, C, D, F, G, H, I, K, L and M are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCEDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the fiscal year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The OCEDC's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the OCEDC's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials/members and citizens of members of the Osceola County Economic Development Commission and other parties to whom the OCEDC may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the OCEDC during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble & Company PC
Certified Public Accountants

June 13, 2008

**Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2007**

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

07-A Segregation of Duties – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from individual error or dishonesty and therefore maximizes the accuracy of the OCEDC’s financial statements. We noted that generally the administrative assistant performs all recordkeeping functions and handles all cash. Financial duties are not rotated at any time during the year. Additionally, this individual is also an authorized signer on several of the OCEDC’s accounts.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the OCEDC should review its operating procedures to obtain the maximum internal control possible under the circumstances. At a minimum, a member of the Board should review financial transactions, reconciliations and reports. Such reviews should be evidenced by initials or signature of the reviewers and the dates of the reviews. Also, the administrative assistant should be removed as an authorized signer and financial duties should be rotated for a period of time during the year.

Response – We will investigate this and attempt to segregate duties when possible by utilizing existing personnel and independent persons to provide additional control through review of financial transactions and reports. Additionally, the administrative assistant has been removed as a check signer in fiscal year 2007-2008.

Conclusion – Response accepted. It is important you attempt to implement this recommendation.

07-B Payroll Issues – During our audit, we noted that the OCEDC’s employees do not complete timesheets and do not keep track of vacation or sick leave earned and used.

Recommendation – The OCEDC should implement procedures for employees to track hours worked and compensated absences used. Compensated absences should be earned and taken in accordance with an established written personnel policy.

Response – All OCEDC employees are paid a set salaried amount and we do not feel a daily accounting of hours worked is necessary. We will address the issue of tracking compensated absences and implement procedures as recommended.

Conclusion – Response accepted. However, timesheets provide support for compensated absences taken and can be used by the Board as an analysis tool.

**Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2007**

07-C Written Personnel Policy – The OCEDC does not have a written personnel policy. Such a policy is important to communicate the employees’ rights and responsibilities of employment. An employee handbook would detail polices such as expected hours of work, list of paid holidays, employee benefits (insurance, paid vacation and compensation time), conflict of interest issues, code of conduct, expense reimbursements, and other rights of employment.

Recommendation – We recommend the OCEDC prepare and implement a detailed written personnel policy. Specific items relevant to OCEDC which should be addressed are working hours and accumulation of compensated absences (vacation, sick leave, and comp time).

Response – We will address this issue. We will work on preparing and approving a personnel policy for the OCEDC.

Conclusion – Response accepted.

07-D Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

- There are no passwords on the computers. Password length should be set at a minimum of at least six characters, require use of multiple characters on the keyboard, and should be periodically changed.
- There are no automatic log-off provisions when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.

Recommendation – Written policies and procedures should be developed addressing the above information system issues in order to improve the control over computer based systems.

Response – We have implemented these computer related policies in fiscal year 2007-2008.

Conclusion – Response accepted.

07-E Written Disaster Recovery Plan – The OCEDC does not have a written disaster recovery plan. Also, the OCEDC does not have any standard policies or procedures regarding storage of manual records at an off-site location.

Recommendation – A written disaster plan should be considered and adopted. Sensitive/important manual records should be evaluated for needed protection and stored at an off-site location.

**Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2007**

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

07-F Bank Signature Cards – There are a couple of the OCEDC’s bank accounts which have authorized signers’ lists that include individuals who are no longer authorized to make disbursements.

Recommendation – The OCEDC needs to correct the authorized bank accounts signers’ lists to allow only eligible current officials to make transactions. Procedures need to be established to ensure that individuals who are no longer authorized to make financial transactions are immediately removed from all authorized signers’ lists and that the new individuals are properly authorized to do so on the signers’ lists.

Response – Bank signature cards have been updated in fiscal year 2007-2008.

Conclusion – Response accepted.

07-G Invoices – We noted disbursements which had no supporting documentation/invoices in the OCEDC’s files.

Recommendation – All claims should have adequate supporting documentation/invoices before being approved for payment. The supporting documentation/invoices should be retained and kept on file.

Response – We will attempt to retain supporting documentation/invoices for all payments.

Conclusion – Response accepted.

07-H Bank Reconciliations – During our testing, we noted that the June 30, 2007 bank reconciliation did not match the trial balance due to adjustments made after the reconciliation was prepared. Additionally, we noted a large number of general journal entries listed as uncleared, reconciling items.

Recommendation – The OCEDC should implement procedures to ensure that the reconciliations on file match the account balance in the trial balance and that any subsequent adjustments are documented. Additionally, the OCEDC should review uncleared items and remove as necessary from the reconciliation process.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted

**Osceola County Economic Development Commission
Schedule of Findings
For The Fiscal Year Ended June 30, 2007**

07-I Certificates of Deposit and Financial Reporting – The OCEDC has certificates of deposit in both the General Fund and the Revolving Loan Fund. However, the certificates of deposit are not tracked by fund and there is no separation of the interest earned by each fund. The General Fund and the Revolving Loan Fund are not being reconciled separately by fund.

Recommendation – The OCEDC should maintain separate accounting for the General Fund and Revolving Loan Fund certificates of deposit and the OCEDC should implement procedures to ensure all funds are reconciled separately by fund.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted

07-J City of Sibley Revolving Loan Fund Loan Documents – During our review of files for loans issued during the year, we noted that the OCEDC’s director signed a loan agreement on behalf of the City of Sibley.

Recommendation – Since the OCEDC is acting only as the fiscal agent for the City of Sibley Revolving Loan Fund, all loan documents should be signed and approved by a City of Sibley official and not the OCEDC’s director. Additionally, the files should include all correspondence related to the loan process, such as copies of the City Council minutes showing approval and any letters issued to the loanee.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted

07-K Insurance Coverage – The OCEDC only carries commercial insurance for surety bond and workers compensation coverage. The OCEDC has not purchased any additional commercial insurance coverage (directors, liability, etc.) and has not set aside any funds for possible risks of loss the OCEDC is exposed to.

Recommendation – The OCEDC needs to formally review its insurance coverage to ensure that the types and amounts of insurance coverages are adequate for current operations.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted

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07-L Financial Reporting – During the audit, we identified material amounts of assets, liabilities, net assets/fund balances, revenues/receipts and expenses/expenditures not recorded properly in the OCEDC’s financial statements. Adjustments were subsequently made by the OCEDC to properly include these amounts in the financial statements.

Recommendation – The OCEDC should implement procedures to ensure all assets, liabilities, net assets/fund balances, revenues/receipts and expenses/expenditures are identified and included in the OCEDC’s financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted.

07-M Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures and monitoring existing procedures that are in place to ensure the procedures are enforced.

Recommendation – OCEDC management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. OCEDC management needs to review any audit findings identified and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development of policies and procedures.

Response – We will address your recommendations.

Conclusion – Response accepted.

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

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Other Findings Related to Required Statutory Reporting:

07-1 Certified Budget – The OCEDC prepares a budget for the General Fund only. Disbursements did not exceed the budget in total for the year ended June 30, 2007. However, the original budget was not approved by the OCEDC’s Board.

Recommendation – The OCEDC’s Board should approve the annual General Fund budget prior to the start of each fiscal year.

Response – The Board will work on making sure the budget is properly approved and documented in the minutes before the start of each fiscal year.

Conclusion – Response accepted.

07-2 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

During the fiscal year, the OCEDC paid \$26.87 for a plant for a board member and \$30.00 to a charity as a memorial.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The OCEDC’s Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the OCEDC should establish written policies and procedures, including requirements for proper documentation.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted.

07-3 Travel Expense – No expenditures of OCEDC money for travel expenses of spouses of OCEDC officials or employees were noted.

07-4 Business Transactions – No business transactions between the OCEDC and OCEDC officials or employees were noted.

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07-5 Bond Coverage – Surety bond coverage of OCEDC officials and employees is maintained. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

07-6 Board Minutes – In accordance with Senate File 2410, effective July 1, 2006, all 28E Organizations are subject to the Open Meetings Law and Public Records Law. The OCEDC’s publications of Board meetings do not fully include all information in the minutes. Each publication excludes any detail of items discussed; only motions are included. The listing of the claims paid excludes payments which are required to be published, including expense reimbursements paid to employees and payroll expenses/withholdings for state and federal taxes, IPERS, and health insurance. There were also instances of other payments missing from the detail. Additionally, the Board held a special meeting on December 21, 2006, which was not published. The OCEDC posts the agenda for Board meetings in its office but not always in a readily accessible area.

The OCEDC assisted the City of Ocheyedan administer a grant from the USDA for high-speed internet. The OCEDC was to receive an administration fee for administering the grant. As of June 30, 2007, there was \$2,038 in charges that the OCEDC does not expect to collect and has never included these charges as revenue on the OCEDC’s financial records. There has not been a motion to stop collections on this balance or to exclude this revenue from the financial records.

Recommendations – The OCEDC should publish all required information in accordance with Senate File 2410. Additionally, the agenda should be posted in an area more accessible to the public. The OCEDC’s Board also needs to approve in the minutes when it is no longer necessary to seek collection on a receivable.

Response – We will work toward implementing most of these recommendations regarding the Board minutes. We will review Senate File 2410 and implement in accordance with our interpretation of the law. Also, a motion will be made regarding the City of Ocheyedan receivable and any other future receivables considered forgivable.

Conclusion – Response accepted. Please attempt to implement all of these recommendations.

07-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the OCEDC’s investment policy were noted. However, please see Finding 07-8 next.

07-8 Official Depositories – A resolution naming official depositories has not been adopted by the OCEDC.

**Osceola County Economic Development Commission
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Recommendation – A resolution naming official depositories and maximum allowable balances at each bank should be adopted by the Board.

Response – A resolution naming official depositories has been adopted and approved by the Board in fiscal year 2007-2008.

Conclusion – Response accepted.

07-9

Electronically Retained Check Images – Some of the accounts which send check images do not include the back (endorsement) side of these checks as required by Chapter 554D.114(5) of the Code of Iowa.

Recommendation – The OCEDC should maintain electronically retained check images that include both the front and back (endorsement) side of each check.

Response – We have contacted all banks and now receive images of both the front and back of cleared checks.

Conclusion – Response accepted.

07-10

Payroll Issues – We noted that IPERS was not withheld/paid on a payroll item when IPERS should have been.

Recommendation – The OCEDC should review all payments to employees, including payroll and expense reimbursements, to determine that the proper tax reporting and withholdings/payments are done. Additionally, the OCEDC should file amended returns for these identified errors.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted.

**Osceola County Economic Development Commission
Schedule of Findings
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Osceola County Economic Development Commission

Staff

This audit was performed by:

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Stephenie Korthals, Assistant Auditor

De Noble & Company PC
Certified Public Accountants