MITCHELL COUNTY ECONOMIC DEVELOPMENT COMMISSION

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

JUNE 30, 2013

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MITCHELL COUNTY ECONOMIC DEVELOPMENT COMMISSION

OFFICIALS/MEMBERS

Joel Voaklander	Chairperson	Mitchell County
Ivan Wold	Vice-Chairman	St. Ansgar Development Corporation
Harlan Bisbee	Treasurer	City of Stacyville
Roger Brumm	Board Member	Stacyville Development Corporation
Paul Groth	Board Member	City of St. Ansgar
Kelvin Palsic	Board Member	City of Osage
Terry Byrnes	Board Member	City of Riceville
Rick Bodensteiner	Board Member	Osage Development Corporation
Tony Koenigs	Board Member	City of McIntire
Betty Borchardt	Board Member	Riceville Development Corporation
Brenda Dryer	Executive Director	
Krista Wineinger	Administrative Assistant	

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Mitchell County Economic Development Commission, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of Mitchell County Economic Development Commission as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell County Economic Development Commission's basic financial statements. The supplementary information included in Schedule 1, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 9 and 19 and 20 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2014 on our consideration of Mitchell County Economic Development Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mitchell County Economic Development Commission's internal control over financial reporting and compliance.

Renner & Birchem, P.C.

March 14, 2014

Renner & Birchem, P.C.
Mason City, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Mitchell County Economic Development Commission (MCEDC) 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, 2013. We encourage readers to consider this information in conjunction with the MCEDC's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the MCEDC's governmental activities decreased 32.0%, or $112,334 from fiscal year 2012 to fiscal year 2013. Charges for service decreased $10,527, operating grants, contributions, and restricted interest decreased $178,563, housing loan proceeds increased $80,000 unrestricted interest on investments decreased $70 and other general revenues decreased $3,174.

- Program expenses of the MCEDC's governmental activities increased 56.7%, or $91,505 from fiscal year 2012 to fiscal year 2013. Administration and general expense increased $95,505 and loan program expenses decreased $4,000.

- The cash basis net position of the MCEDC's governmental activities decreased $15,556 from fiscal year 2012 to fiscal year 2013.

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 MCEDC's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the MCEDC as a whole and presents an overall view of the MCEDC'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 MCEDC's operations in more detail than the government-wide statement by providing information about the most significant 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 further explains and supports the financial statements with a comparison of the MCEDC's General Fund budget for the year.

Basis of Accounting

The MCEDC maintains its financial records on the basis of cash revenues and expenditures and the financial statements of the MCEDC are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE MCEDC'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the MCEDC's finances is, "Is the MCEDC as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information that helps answer this question.

The Statement of Activities and Net Position presents the MCEDC's net position. Over time, increases or decreases in the MCEDC's net position may serve as a useful indicator of whether the financial position of the MCEDC is improving or deteriorating.

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

Fund Financial Statements

The MCEDC has one kind of fund:

1) Governmental funds account for most of the MCEDC's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1)

the General Fund, 2) the Special Revenue Funds. The governmental fund financial statements provide a detailed short-term view of the MCEDC's general government 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 MCEDC's programs.

The required financial statement for governmental funds is a statement of cash revenues, expenditures and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The MCEDC's cash balance for governmental activities decreased from a year ago, from $230,327 to $214,771. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Government Activities

	Year Ended June 30,	
Program revenues:	2013	2012
Charges for service	$ 36,695	47,222
Operating grants, contributions and restricted interest	120,225	298,788
General revenues:		
Housing loan proceeds	80,000	
Unrestricted interest on investments	121	191
Other general revenues	248	3,422
Total receipts	237,289	349,623
Program expenses:		
Loan programs	10,000	14,000
Administration and general	242,845	147,340
Total expenses	252,845	161,340
Change in cash basis net position	(15,556)	188,283
Cash basis net position beginning of year	230,327	42,044
Cash basis net position end of year	$ 214,771	230,327

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the Mitchell County Economic Development Commission completed the year, its governmental funds reported a combined fund balance of $214,771, a decrease of

$15,556 from last year's total of $230,327. The following are the major reasons for the changes in individual fund balances from the prior year.

- The General Fund cash balance decreased $20,906 from the prior year to $199,062.

- The Revolving Loan Fund cash balance increased by $5,350 to $15,709 during the fiscal year.

BUDGETARY HIGHLIGHTS

The MCEDC's Board annually adopts a budget for the General Fund on the cash basis. The budget may be amended during the fiscal year with Board approval. During the fiscal year, there were no amendments to the General Fund budget. During the fiscal year ended June 30, 2013, actual revenues came in above the amount budgeted by $89,839 and actual expenditures came in above the amount budgeted by $102,445.

ECONOMIC FACTORS

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

CONTACTING THE MCEDC'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of Mitchell County, borrowers and creditors with a general overview of the MCEDC's finances and to show the MCEDC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brenda Dryer, Executive Director, 509 State Street, Osage, Iowa.

BASIC FINANCIAL STATEMENTS

Exhibit A

Mitchell County Economic Development Commission

Statement of Activities and Net Position - Cash Basis

As of and for the year ended June 30, 2013

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants Contributions and Restricted Interest	Net Revenues and Changes Cash Basis Net Position
Functions / Programs:				
Governmental activities:				
Loan programs	$ 10,000	15,350		5,350
Administration and general	242,845	21,345	120,225	(101,275)
Total governmental activities	252,845	36,695	120,225	(95,925)
General Revenues:				
Housing loan proceeds				80,000
Unrestricted interest on investments				121
Miscellaneous				248
Total general revenues				80,369
Change in cash basis net position				(15,556)
Cash basis net position beginning of year				230,327
Cash basis net position end of year				$ 214,771
Cash Basis Net Position				
Restricted:				
Expendable:				
Revolving loan fund				$ 15,709
Speculative building loan				150,000
Unrestricted				49,062
Total cash basis net position				$ 214,771

See notes to financial statements.

Exhibit B

Mitchell County Economic Development Commission

Statement of Cash Revenues, Expenditures and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

	General	Special Revenue Revolving Loan Fund	Total
Revenues:			
Contributions from public entity members (related parties)	$ 91,100		91,100
Contributions from private sources	25,250		25,250
Administration fees	21,345		21,345
Grants	3,875		3,875
RLF payments received		15,350	15,350
Housing loan proceeds	80,000		80,000
Interest income	121		121
Miscellaneous	248		248
Total revenues	221,939	15,350	237,289
Expenditures:			
Salaries/IPERS	92,374		92,374
Payroll taxes	6,503		6,503
Employee benefits	1,300		1,300
Insurance	1,511		1,511
Newspaper publishings	255		255
Office expense	1,386		1,386
Publication/professional dues	3,491		3,491
RFL loans		10,000	10,000
Housing loans	80,000		80,000
Professional fees	5,320		5,320
Special projects	41,180		41,180
Tech and website management	198		198
Telephone	1,759		1,759
Travel and meals	5,472		5,472
Advertising	1,087		1,087
Miscellaneous	1,009		1,009
Total expenditures	242,845	10,000	252,845
Excess (deficiency) of revenues over (under) expenditures	(20,906)	5,350	(15,556)
Cash balances beginning of year	219,968	10,359	230,327
Cash balances end of year	$ 199,062	15,709	214,771
Cash Basis Fund Balances			
Restricted:			
Revolving loan fund		15,709	15,709
Speculative building loan	$ 150,000		150,000
Unassigned	49,062		49,062
Total cash basis fund balances	$ 199,062	15,709	214,771

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The Mitchell County Economic Development Commission (MCEDC) was formed July 1, 2001, under the 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 Mitchell, Iowa, the Cities of Osage, St. Ansgar, Stacyville, Riceville, and Mcintire, Iowa, and Development Corporations of Osage, St. Ansgar, Stacyville, and Riceville, Iowa.

The governmental commission consists of a representative appointed by the Mitchell County Board of Supervisors, and one representative appointed by each City Council of the following cities: Osage, St. Ansgar, Stacyville, Riceville, and McIntire; and by each Development Corporation Board of the following corporations: Osage, St. Ansgar, Stacyville, and Riceville.

Under the 28E agreement each member shall be assessed annually and agrees to pay a share of the expenses of the operation of the MCEDC. These member contributions are a critical financial source of the MCEDC. During the fiscal year ended June 30, 2013, the total contributions from public entity members were as follows:

Mitchell County	$ 75,000
City of Osage	8,750
City of St. Ansgar	2,750
City of Stacyville	1,250
City of Riceville	2,100
City of McIntire	1,250
	$ 91,100

The MCEDC's financial statements are prepared on the basis of cash revenues and expenditures, which is a comprehensive basis of accounting other than U.S generally accepted accounting principles.

A. Reporting Entity

For financial reporting purposes, Mitchell County Economic Development Commission has included all funds, organizations, agencies, boards, commissions and authorities. The MCEDC 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 MCEDC are such that exclusion would cause the MCEDC'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 MCEDC 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 MCEDC. The MCEDC has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Position (previously referred to as net assets) reports information on all the nonfiduciary activities of the MCEDC. For the most part, the effect of interfund activity has been removed from this statement. MCEDC activities are supported by member contributions, interest received on loans from ultimate recipients, investment interest and donations/grants.

The Statement of Activities and Net Position presents the MCEDC's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the MCEDC.

Expendable restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Position 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 on investments 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 - Major individual governmental funds are reported as separate columns in the fund financial statements. The MCEDC has elected to report all governmental funds as major funds.

The MCEDC reports the following major governmental funds:

The General Fund is the general operating fund of the MCEDC. All contributions agreed to by the different entities within the intergovernmental agreement and other revenues 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 the fixed charges 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 Mitchell County. These funds are loaned out to businesses with a payback period of not more than six years. All interest earned stays within the fund.

C. Measurement Focus and Basis of Accounting

The Mitchell County Economic Development Commission maintains its financial records on the basis of cash revenues and expenditures and the financial statements of the MCEDC are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the MCEDC funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenditures are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the MCEDC's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the MCEDC's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and the unassigned fund balances.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board intends to use for specific purposes

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The MCEDC's deposits in banks at June 30, 2013 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 MCEDC is authorized by statute and the MCEDC'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 MCEDC Board.

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

(3) Notes Receivable

Revolving Loan Fund

The MCEDC's mission of implementing economic development projects within Mitchell 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 of 4.395%. The terms of the notes are five and half years, with some extensions granted for hardships.

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

June 30, 2014	$ 23,919
June 30, 2015	21,374
June 30, 2016	19,862
June 30, 2017	17,687
June 30, 2018	5,826
June 30, 2019-2021	4,924
	$ 93,592

Speculative Building Loan Program

The MCEDC's mission of implementing economic development projects within Mitchell County is being accomplished by the lending of monies to construct speculative buildings.

MCEDC received a grant from Mitchell County in the amount of $150,000.

MCEDC loaned $150,000 to St. Ansgar Economic Development Corporation (EDC) to build a 20,000 square foot speculative building in the St. Ansgar Industrial Park. St. Ansgar EDC will repay MCEDC $150,000 with an interest rate of 0% when the building has been sold. St. Ansgar EDC repaid MCEDC before the end of the fiscal year.

Housing Construction Loan Program

The MCEDC's mission of implementing economic development projects within Mitchell County is being accomplished by the lending of monies for the construction of new housing.

MCEDC received a loan from Homeward, Inc. in the amount of $80,000.

MCEDC loaned a total of $80,000 to Lynn Heman (Contractor) to build affordable housing in the Mitchell County, Iowa area. The Contractor will repay MCEDC $80,000 with an interest rate of 1.5% when the houses have been sold.

(4) Notes Payable

On November 5, 2012, MCEDC issued $80,000 of Notes to finance the construction and the sale of the homes being financed in the Mitchell County, Iowa area. Principal and interest payments are due within one year. Interest is at a rate of 1%. As of June 30, 2013 there was a balance due of $80,000.

(5) Pension and Retirement Benefits

The MCEDC 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, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the MCEDC is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The MCEDC's contributions to IPERS for the years ended June 30, 2013 and 2012 were $7,370 and $6,740 respectively equal to the required contributions for the year.

(6) Related Party Transactions

The MCEDC had business transactions between the MCEDC and a MCEDC board member totaling $1,935 during the year ended June 30, 2013.

(7) Risk Management

The MCEDC is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The MCEDC assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Subsequent Events

Since the end of the year, the Revolving Loan Fund issued notes receivable totaling $10,000. These loans have a 4.395% interest rate and are payable based on a five and a half year payback schedule.

Since the end of the year, MCEDC loaned Stacyville Economic Development Corporation (EDC) $150,000 to build a 12,000 square foot speculative building in the Stacyville Industrial Park. Stacyville EDC will repay MCEDC $150,000 with an interest rate of 0% when the building has been sold.

Since the end of the year Lynn Heman has repaid both of the loans, total of $80,000 and has received a new loan of $40,000 for additional housing construction with an interest rate of 1.5%.

In addition, MCEDC has repaid the Homeward, Inc. Loan of $80,000 and has received a new loan of $80,000 for additional housing construction with an interest rate of 1%.

REQUIRED SUPPLEMENTARY INFORMATION

Mitchell County Economic Development Commission

Budgetary Comparison Schedule
of Revenues, Expenditures, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts	Budgeted to Net Variance
Revenues:					
Contributions from public entity members (related parties)	$ 91,100		91,100	89,850	1,250
Contributions from private sources	25,250		25,250	26,250	(1,000)
Administration fees	21,345		21,345	16,000	5,345
Grants	3,875		3,875		3,875
RLF payments received	15,350	15,350			
Housing loan proceeds	80,000		80,000		80,000
Interest income	121		121		121
Miscellaneous	248		248		248
Total revenues	237,289	15,350	221,939	132,100	89,839
Expenditures:					
Salaries/IPERS	92,374		92,374	90,000	(2,374)
Payroll taxes	6,503		6,503	9,000	2,497
Employee benefits	1,300		1,300	4,200	2,900
Insurance	1,511		1,511	2,000	489
Newspaper publishings	255		255	300	45
Office expense	1,386		1,386	2,500	1,114
Publication/professional dues	3,491		3,491	2,000	(1,491)
RFL loans	10,000	10,000			
Housing loans	80,000		80,000		(80,000)
Professional fees	5,320		5,320	8,000	2,680
Special projects	41,180		41,180	10,250	(30,930)
Tech and website management	198		198	400	202
Telephone	1,759		1,759	2,500	741
Travel and meals	5,472		5,472	6,500	1,028
Advertising	1,087		1,087	2,000	913
Board meetings				250	250
Repairs				500	500
Miscellaneous	1,009		1,009		(1,009)
Total expenditures	252,845	10,000	242,845	140,400	(102,445)
Excess (deficiency) of revenues over (under) expenditures	(15,556)	5,350	(20,906)	(8,300)	(12,606)
Cash balances beginning of year	230,327	10,359	219,968	27,611	192,357
Cash balances end of year	$ 214,771	15,709	199,062	19,311	179,751

See notes to financial statements.

Mitchell County Economic Development Commission

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the MCEDC Board annually adopts a budget on the cash basis. The annual budget may be amended during the year with Board approval. The MCEDC's Board is not required to and has chosen not to adopt a budget for the Special Revenue Fund (Revolving Loan Fund).

During the year ended June 30, 2013 the MCEDC's expenditures exceeded the amount budgeted in total.

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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 the Mitchell
County Economic Development Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Mitchell County Economic Development Commission (MCEDC), as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 14, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MCEDC's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the MCEDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of MCEDC's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MCEDC'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 which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2013 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.

Mitchell County Economic Development Commission's Responses to Findings

MCEDC's responses to findings identified in our audit are described in the accompanying Schedule of Findings. MCEDC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the MCEDC's 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.

Renner & Birchem, P.C.

March 14, 2014

Renner & Birchem, P.C.
Mason City, Iowa

MITCHELL COUNTY ECONOMIC DEVELOPMENT COMMISSION

Schedule of Findings

Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

I-A-13 Preparation of Financial Statements – The MCEDC does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for the governmental entity similar in population to the MCEDC. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the MCEDC's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The MCEDC will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

Instances of Non-Compliance:

No matters were reported.

MITCHELL COUNTY ECONOMIC DEVELOPMENT COMMISSION

Schedule of Findings

Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Travel Expense - No expenditures of MCEDC money for travel expenses of spouses of MCEDC officials or employees were noted.

II-B-13 Business Transactions - Business transactions between the MCEDC and MCEDC officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Harlan Bisbee, Board Member	Accounting Services	$1,935

In accordance with chapter 362.5(10) of the Code of Iowa, the transactions with Harlan Bisbee may represent a conflict of interest since a competitive bidding process was not utilized for all transactions and total of the transactions was in excess of $1,500 during the fiscal year.

Recommendation – MCEDC should use a competitive bidding process when practicable.

Response – A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable in the future.

Conclusion – Response accepted.

II-C-13 Bond Coverage - Surety bond coverage of MCEDC officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-D-13 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-E-13 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the MCEDC's investment policy.

II-F-13 Certified Budget – The MCEDC prepares a budget for the General Fund only. Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted.

Recommendation – The budget should have been amended before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.