

**OSCEOLA COUNTY ECONOMIC
DEVELOPMENT COMMISSION**

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

JUNE 30, 2015

*De Noble, Austin & Company PC
Certified Public Accountants
Rock Rapids, Iowa*

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Osceola County Economic Development Commission

Officials

Year Ended June 30, 2015

Lila Hatting	President	City of Sibley
Brian Mino	Secretary/Treasurer	City of Ashton
Joe McElroy	Vice President	City of Ocheyedan
Jack Benz	Board Member	City of Melvin
Mike Schulte	Board Member	Osceola County
Amy Muftah	Board Member	City of Harris
Michael Earll	Executive Director	
Peggy Steinmetz	Administrative Assistant	

DE NOBLE, AUSTIN & COMPANY PC

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American Institute - Certified Public Accountants
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Independent Auditor's Report

To the Officials/Members of the Osceola 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 the Osceola County Economic Development Commission (OCEDC), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the OCEDC'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 U.S. generally accepted accounting principles. 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 OCEDC'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 OCEDC'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 financial position of the governmental activities and each major fund of the Osceola County Economic Development Commission as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principals.

Emphasis of Matter

As discussed in Note 19 to the financial statements, Osceola County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, Net Pension Liability Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 9 and 34 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the OCEDC'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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2016, on our consideration of the Osceola 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 Osceola County Economic Development Commission internal control over financial reporting and compliance.

De Noble, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

June 23, 2016

**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, 2015. We encourage readers to consider this information in conjunction with the OCEDC's financial statements, which follow.

2015 Financial Highlights

- Revenues of the OCEDC's governmental activities decreased 12.91%, or \$19,379, from fiscal year 2014 to fiscal year 2015. Charges for service increased \$633; operating grants, contributions, and restricted interest decreased \$(16,713); and unrestricted investment earnings decreased \$(3,299).
- Program expenses of the OCEDC's governmental activities decreased 23.02%, or \$(27,756), from fiscal year 2014 to fiscal year 2015. Administration and general expenses decreased \$(27,141) and loan program expenses decreased \$(615).
- The OCEDC's net position increased, as restated, 4.98%, or \$37,925, from fiscal year 2014 to fiscal year 2015.
- The net change in fund balances from June 30, 2014 to June 30, 2015 for each of the major funds of the OCEDC was as follows: General Fund – increase of \$15,219; and Revolving Loan Fund – increase of \$17,497.
- The OCEDC implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated by \$(62,446), (\$823,560 down to \$761,114), to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The pension expense for fiscal year 2014, certain deferred outflows of resources at June 30, 2014, and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.

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 Position 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 statement provides 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 further explains and supports the financial statements with a comparison of the OCEDC's General Fund budget for the year, the OCEDC's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the individual Agency Funds.

Reporting the OCEDC's Financial Activities

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 Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 Position presents all of the OCEDC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in the OCEDC's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position 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 the General Fund and the Special Revenue Fund - Revolving Loan Fund. 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. These fiduciary funds include Agency Funds that account for the Community Foundation of Osceola County, the Hawkeye Point Foundation, and the Sibley Pool Fund.

The required financial statement for fiduciary funds is 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 position may serve over time as a useful indicator of financial position. The OCEDC's combined net position increased from \$761,114, as restated, to \$799,039, \$37,925 or 4.98%. The analysis that follows focuses on the changes in the net position for governmental activities from a year ago.

Net Position of Governmental Activities

	(As Restated) June 30, 2015	(Not Restated) June 30, 2014
Current Assets	\$ 528,223	\$ 448,292
Notes Receivable	347,317	379,965
Capital Assets	3,996	4,850
Net OPEB Asset	523	523
Total Assets	<u>880,059</u>	<u>833,630</u>
 Deferred Outflows of Resources	 (10,667)	 0
 Other Liabilities	 57,856	 10,070
 Deferred Inflows of Resources	 <u>12,497</u>	 <u>0</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	3,996	4,850
Restricted for Revolving Loan Purposes	836,555	818,673
Unrestricted	(41,512)	37
Total Net Position	<u>\$ 799,039</u>	<u>\$ 823,560</u>

Net Position of the OCEDC's governmental activities increased by \$37,925. The largest portion of the OCEDC's net position is restricted for revolving loan purposes. Restricted net position represents resources that are subject to external restrictions on how they can be used. Net position restricted for revolving loan purposes increased \$17,882 or 2.18% during the fiscal year ended June 30, 2015.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased an additional \$17,028 during the fiscal year ended June 30, 2015.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$62,446 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date.

Changes in Net Position of Governmental Activities

	Year Ended (As Restated) June 30, 2015	Year Ended (Not Restated) June 30, 2014
Program Revenues:		
Charges for Service	\$ 5,445	\$ 4,812
Operating Grants, Contributions, and Restricted Interest	107,713	124,426
Unrestricted Investment Earnings	17,600	20,899
Total Revenues	130,758	150,137
Program Expenses:		
Loan Programs	346	961
Administration and General	92,488	119,629
Total Expenses	92,834	120,590
Increase in Net Position	37,925	29,547
Net Position Beginning of Year	761,114	794,013
Net Position End of Year	\$ 799,039	\$ 823,560

Individual Major Fund Analysis

As the OCEDC completed the year, the governmental funds reported a combined fund balance of \$853,904, an increase of \$32,716, or 3.98% above last year's total of \$821,188. The following are major reasons for the changes in individual fund balances during the fiscal year ended June 30, 2015.

- The General Fund had an increase in fund balance of \$15,219 during fiscal year 2015. Revenues decreased \$16,430 or 12.74% from the prior year. The decrease is mainly due to contributions received in 2014 from Osceola County of \$18,000 towards the hiring of a new executive director. Expenditures decreased \$29,778 with the largest decrease in salaries.
- The Revolving Loan Fund reported an increase in fund balance in fiscal year 2015 of \$17,497 or 2.14% (from \$818,549 to \$836,046). Revolving Loan Fund revenues decreased by \$4,833 or 21.3% when compared to the prior year which is primarily due to a decrease in interest income received on note receivables compared to fiscal year 2014. Expenditures decreased from last fiscal year by \$614.

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, there were no amendments to the General Fund budget. During the fiscal year ended June 30, 2015, actual revenues came in over the amount budgeted by \$52 and actual expenditures came in below the amount budgeted by \$17,668.

Capital Assets

At June 30, 2015, the OCEDC had \$14,778 invested in capital assets as follows:

	June 30, 2015
Furniture and Fixtures	\$ 7,619
Computer Equipment	6,494
Other Equipment	665
Total	<u>\$ 14,778</u>

During fiscal year 2015, there were no purchases or dispositions of fixed assets. The OCEDC had depreciation expense of \$854 in fiscal year 2015 and total accumulated depreciation of \$10,782 at June 30, 2015.

Long-Term Debt

The OCEDC had no outstanding notes or bonds as of June 30, 2015. The only long-term debt transactions during the fiscal year ended June 30, 2015 were for compensated absences and net pension liability. Additional information about these liabilities is presented in Notes 6 and 7 to the financial statements.

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) and of the governmental entity members that comprise the OCEDC.

Contacting the OCEDC's Financial Management

This financial report is designed to provide the citizens of Osceola County, its governmental entity members, borrowers, and creditors with a general overview of the OCEDC's finances and to show the OCEDC's accountability for the revenues received. If you have any questions about this report or need additional information, contact Michael Earll, Executive Director at 712-754-2523.

Osceola County Economic Development Commission
Basic Financial Statements

Osceola County Economic Development Commission
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash	\$ 358,785
Certificates of Deposit	158,772
Prepaid Expenses	3,778
Interest Receivable	1,034
Accounts Receivable	5,854
Notes Receivable – Related Parties	93,505
Notes Receivable (Net of Allowance for Doubtful Accounts)	253,812
Capital Assets (Net of Accumulated Depreciation)	3,996
Net OPEB Asset	523
	880,059
Total Assets	
Deferred Outflows of Resources	
Pension Related Deferred Outflows	(10,667)
Liabilities	
Accounts Payable	3,712
Payroll and Benefits Payable	2,607
Compensated Absences	3,960
Net Pension Liability	32,769
	43,048
Total Liabilities	
Deferred Inflows of Resources	
Assessments Pre-Paid	14,808
Pension Related Deferred Inflows	12,497
	27,305
Total Deferred Inflows of Resources	
Net Assets	
Invested in Capital Assets	3,996
Restricted for:	
Revolving Loan Purposes	836,555
Unrestricted	(41,512)
	799,039
Total Net Position	\$ 799,039

See Notes to Financial Statements.

**Osceola County Economic Development Commission
Statement of Activities
Year Ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue & Changes in Net Position
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		
Functions/Programs:				
Governmental Activities:				
Loan Programs	\$ (346)	680	0	334
Administration & General	(92,488)	4,766	107,713	19,991
Total	(92,834)	5,445	107,713	20,325
 General Revenues:				
Unrestricted Investment Earnings				17,600
Total General Revenues				17,600
Change in Net Position				37,925
Net Position Beginning of Year (As Restated)				761,114
Net Position End of Year				\$ 799,039

See Notes to Financial Statements.

**Osceola County Economic Development Commission
Balance Sheet
Governmental Funds
June 30, 2015**

	Special Revenue		
	General Fund	Revolving Loan Fund	Total
Assets			
Cash	\$ 31,884	326,901	358,785
Certificates of Deposit	0	158,772	158,772
Due from General Fund	0	1,443	1,443
Prepaid Expenditures	3,778	0	3,778
Interest Receivable	0	1,034	1,034
Accounts Receivable	4,766	1,088	5,854
Notes Receivable – Related Parties	0	93,505	93,505
Notes Receivable (Net of Allowance for Doubtful Accounts)	0	253,812	253,812
Total Assets	\$ 40,428	836,555	876,983
Liabilities			
Accounts Payable	\$ 3,712	0	3,712
Payroll and Benefits Payable	2,607	0	2,607
Due to Revolving Loan Fund	1,443	0	1,443
Total Liabilities	7,762	0	7,762
Deferred Inflows of Resources			
Deferred Inflows – Unavailable Revenues	0	509	509
Assessments Pre-Paid	14,808	0	14,808
Total Deferred Inflows of Resources	14,808	509	15,317
Fund Balances			
Nonspendable:			
Prepaid Expenditures	3,778	0	3,778
Restricted For:			
Revolving Loan Funds	0	836,046	836,046
Unassigned	14,080	0	14,080
Total Fund Balances	17,858	836,046	853,904
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 40,428	836,555	876,983

See Notes to Financial Statements.

**Osceola County Economic Development Commission
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position
June 30, 2015**

Total Governmental Fund Balances (Exhibit C)

<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	\$ 853,904
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$14,778 and the accumulated depreciation is \$10,782.	3,996
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	509
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:	
Deferred outflows of resources	\$ (10,667)
Deferred inflows of resources	(12,497)
	(23,164)
The net OPEB asset is not available to pay current period expenditures and, therefore, is not reported in the governmental funds.	523
Long-term liabilities, including compensated absences payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(36,729)
	\$ 799,039
Net Position of Governmental Activities (Exhibit A)	

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, 2015

	General Fund	Special Revenue Revolving Loan Fund	Total
Revenues:			
Contributions from Public Entity			
Members (Related Parties)	\$ 107,213	0	107,213
Donation (Alliant Energy)	500	0	500
Administration Fees	4,766	0	4,766
Interest Income - Banks	52	2,274	2,326
Interest Income - Notes	0	14,891	14,891
Loan Application and Documentation Fees	0	679	679
Total Revenues	112,531	17,844	130,375
Expenditures:			
Salaries	54,718	0	54,718
IPERS	4,886	0	4,886
Payroll Taxes	4,947	0	4,947
Employee Benefits	15,847	0	15,847
Workman's Compensation	605	0	605
Auto/Travel/Meals Expense	1,475	0	1,475
Bond Insurance	406	0	406
Loan Fees and Expenses	0	297	297
Professional Fees	3,550	50	3,600
Office Expense	969	0	969
Legal Expense	1,898	0	1,898
Insurance	1,757	0	1,757
Postage	413	0	413
Publications/Professional Dues	1,957	0	1,957
Tech and Website Management	2,167	0	2,167
Telephone	1,117	0	1,117
Special Project	600	0	600
Total Expenditures	97,312	347	97,659
Excess(Deficiency) of Revenues Over (Under) Expenditures	15,219	17,497	32,716
Fund Balances – Beginning of Year	2,639	818,549	821,188
Fund Balances – End of Year	\$ 17,858	836,046	853,904

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, 2015**

Net Change in Fund Balances – Total Governmental Funds (Exhibit E) \$ 32,716

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 in the current year, as follows:

Depreciation expense	854
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Because some revenues will not be collected for several months after the Commission’s year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds. The resulting timing difference is as follows:

Note receivable interest	(384)
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The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.	(1,628)
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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 the governmental funds, as follows:

Pension expense	(4,886)	
Compensated absences	835	(4,051)
	835	(4,051)

Change in Net Position of Governmental Activities (Exhibit B)	\$ 37,925
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See Notes to Financial Statements.

**Osceola County Economic Development Commission
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015**

	Community Foundation of Osceola County	Hawkeye Point Foundation	Sibley Pool Fund	Total
Assets				
Cash	\$ 36,161	1,605	61,043	98,809
Total Assets	36,161	1,605	61,043	98,809
Liabilities				
Trusts Payable	36,161	1,605	61,043	98,809
Total Liabilities	36,161	1,605	61,043	98,809
Net Position	\$ 0	0	0	0

See Notes to Financial Statements.

Osceola County Economic Development Commission
Notes to Financial Statements
June 30, 2015

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, Ocheyedan, and Sibley.

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, Ocheyedan, 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 for the OCEDC. During the fiscal year ended June 30, 2015, the total contributions from public entity members were as follows:

Osceola County	\$ 57,161
City of Ashton	2,521
City of Harris	618
City of Melvin	1,406
City of Ocheyedan	2,893
City of Sibley	42,614
	<hr/>
	\$ 107,213

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 in order to be included in OCEDC's reporting entity.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position 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 by member contributions, interest received on loans from ultimate recipients, investment interest, loan application and documentation fees, and donations/grants.

The Statement of Net Position presents the OCEDC's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net asset 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 two preceding categories. Unrestricted net position often has 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 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.

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 non-profit organizations.

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. Contributions from public entity members are recognized as revenue in the year for which the amount is assessed. 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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the OCEDC considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (contributions from public entity members, 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, as applicable, 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the OCEDC's policy is to pay the expenditure from restricted fund balances and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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 and Due to Revolving Loan Fund – During the course of its operations, the OCEDC had made deposits into or made payments out of the incorrect fund. To the extent that certain transactions between the OCEDC’s different governmental funds and deposits between bank accounts had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the financial statements.

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

Capital Assets – Capital assets, which include equipment and furniture and fixtures, are reported in the governmental activities column in the government-wide Statement of Net Position. 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 Board approved capitalization or intangibles policies due to the minor amount of capital assets/intangibles maintained by the OCEDC. Capital assets of the OCEDC are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Computer Equipment	5 years
Furniture and Fixtures	10 years
Other Equipment	10 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Deferred Inflows of Resources – 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 year. Deferred inflows of resources 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 within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consists of accrued interest receivable not collected within sixty days after year end and fiscal year 2015-2016 member assessments paid in advance.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year contributions from public entity members received during the year which will not be recognized as revenue until the fiscal year for which the public entity member was assessed and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Compensated Absences – OCEDC employees accumulate a limited amount of earned but unused vacation hours and compensatory time 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, 2015. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or 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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. 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, 2015, the General Fund budget was not exceeded for expenditures.

2) Cash and Certificates of Deposit

The OCEDC's deposits in banks at June 30, 2015 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 to Revolving Loan Fund

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Revolving Loan Fund	General Fund	<u>\$ 1,443</u>

The \$1,443 due to the Revolving Loan Fund from the General Fund is for Revolving Loan Fund revenue which was deposited into General Fund bank accounts by error.

4) Notes Receivable 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 2% 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 of notes receivable and notes receivable – related parties shown on the Statement of Net Position as of June 30, 2015 reflects the amount due on those notes receivable as of that date and is computed as follows:

Balance on June 30, 2014	\$ 379,965
New Notes Issued	100,000
Payments on Principal	(132,648)
Balance on June 30, 2015	<u>\$ 347,317</u>

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

June 30, 2016	\$ 173,149
June 30, 2017	62,483
June 30, 2018	9,585
June 30, 2019	9,944
June 30, 2020 and After	92,156
	<u>\$ 347,317</u>

Loans are carried as notes receivable until deemed uncollectible. As of June 30, 2015, no allowance for doubtful accounts has been recorded.

During the year ended June 30, 2008, Osceola County (a member of the OCEDC; therefore, considered to be a related party) entered into a loan agreement with the OCEDC through the Revolving Loan Fund for \$140,000. This note is scheduled to be paid pack quarterly based on a 25 year payback schedule with a balloon payment at the end of 10 years at a 4.5% interest rate. The balance as of June 30, 2015 on this note was \$93,505 and is included in the above totals. This amount is reported separately in the financial statements as notes receivable – related parties.

5) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and Fixtures	\$ 7,619	0	0	7,619
Computer Equipment	6,494	0	0	6,494
Other Equipment	665	0	0	665
Total Capital Assets	14,778	0	0	14,778
Less Accumulated Depreciation	9,928	854	0	10,782
Governmental Activities Capital Assets, Net	\$ 4,850	(854)	0	3,996

Depreciation expense of \$854 was charged to the Administration & General program.

The OCEDC does not have any “intangible” capital assets as of June 30, 2015.

6) Changes in Long-Term Liabilities

Long-term liabilities during the year ended June 30, 2015 consisted of compensated absences and net pension liability. A summary of changes in long-term liabilities for the fiscal year ended June 30, 2015 is as follows:

	Net Pension Liability	Compensated Absences
Balance – Beginning of Year, as Restated	\$ 67,274	3,126
Increases	0	3,459
Decreases	(34,506)	(2,624)
Balance – End of Year	\$ 32,768	3,961

7) Pension and Retirement Benefits

Plan Description - IPERS membership is mandatory for employees of the OCEDC, except for those covered by another retirement system. Employees of the OCEDC are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member’s highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members’ monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member’s highest three-year average salary.

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member’s earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member’s lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member’s beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member’s accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The

actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the OCEDC contributed 8.93 percent for a total rate of 14.88 percent.

The OCEDC's contributions to IPERS for the year ended June 30, 2015 were \$4,886.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the OCEDC reported a liability of \$32,769 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The OCEDC's proportion of the net pension liability was based on its share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the OCEDC's collective proportion was 0.000826%, which was a decrease of (0.000345%) from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the OCEDC recognized a negative pension expense of \$(6,513). At June 30, 2015, the OCEDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Resource	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 356	\$ 0
Changes of assumptions	1,446	0
Net difference between projected and actual earnings on pension plan investments	0	12,497
Changes in proportion and differences between OCEDC contributions and proportionate share of contributions	(17,355)	0
OCEDC contributions subsequent to the measurement date	4,886	0
Total	\$ (10,667)	\$ 12,497

\$(10,667) reported as deferred outflows of resources related to pensions resulting from the OCEDC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2016	\$ (6,758)
2017	(6,758)
2018	(6,758)
2019	(6,758)
2020	(1,017)
Total	\$ (28,050)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term Investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the OCEDC will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the OCEDC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the OCEDC's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the OCEDC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
OCEDC's proportionate share of the net pension liability:	\$ 61,940	32,768	8,169

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on the IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the OCEDC did not have any amounts payable to the defined benefit pension plan for legally required employer contributions or employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

8) Other Postemployment Benefits (OPEB)

Plan Description. The OCEDC operates a single-employer retiree benefit plan (participating with the Osceola County) which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active and 0 retired members participating in the OCEDC's plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability (asset).

Funding Policy. The contribution requirements of plan members are established and may be amended by the OCEDC. The OCEDC currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The OCEDC's annual OPEB cost is calculated based on the annual required contribution (ARC) of the OCEDC, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid

on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the OCEDC's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the OCEDC's net OPEB obligation:

Annual required contribution	\$	0
Interest on net OPEB obligation		0
Adjustment to annual required contribution		0
Annual OPEB cost		<u>0</u>
Contributions made		<u>0</u>
Increase in net OPEB obligation		0
Net OPEB obligation beginning of year		(523)
Net OPEB obligation end of year	\$	<u>(523)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the OCEDC contributed \$0 to the medical plan. Plan members eligible for benefits did not make any contributions.

The OCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	0	179.0%	(523)
2013	0	0.0%	(523)
2014	0	0.0%	(523)
2015	0	0.0%	(523)

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2015, the actuarial accrued liability of the OCEDC was \$0, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0. The OCEDC's covered payroll (annual payroll of active employees covered by the plan) was \$63,119 and the ratio of the UAAL to covered payroll was 0.00%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the

Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit with linear prorating to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the OCEDC's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Table Fully Generational using Scale AA. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012. Termination rates were set based on the historical experience of the OCEDC.

Projected claim costs of the medical plan are \$13,318 annually for retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9) 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.

10) Commitments

On April 28, 2015, the Board approved two separate \$100,000 loan applications to be paid from the Revolving Loan Fund.

11) Subsequent Events

The Board has approved several notes receivable totaling \$383,500 from the Revolving Loan Fund. The terms of these notes are: one note for \$75,000 at 3%, interest only through July 2016, then monthly payments on a 10 year amortization schedule with a balloon payment due after 5 years; one note for \$100,000 at 3%, interest only for 18 months, then monthly payments on a 240 month

amortization schedule with a balloon payment due after 10 years; one note for \$100,000 at 3%, interest only with the balance due after 18 months; one note for \$100,000 at 3% on a 10 year amortization schedule with a balloon payment due after 5 years; and one note for \$8,500 at 3% on a 5 year amortization schedule.

12) 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.

13) Accounting Change

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, was implemented during the fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities
Net Position June 30, 2014, as Previously Reported	\$ 823,560
Net Pension Liability at June 30, 2014 Deferred Outflows of Resources Related to Prior Year Contributions Made After the June 30, 2013 Measurement Date	(67,274)
	4,828
Net Position July 1, 2014, as Restated	\$ 761,114

Osceola County Economic Development Commission

Required Supplementary Information

Osceola County Economic Development Commission
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2015

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. The OCEDC's Board annually adopts a budget for the General Fund on the modified accrual basis. The General Fund budget may be amended during the fiscal year with Board approval. The OCEDC's Board is not required to and has chosen not to adopt a budget for the Special Revenue Funds (Revolving Loan Fund and Spec Property Loan Fund).

During the fiscal year, the OCEDC did not amend the General Fund budget.

During the year ended June 30, 2015, the OCEDC's expenditures did not exceed the amount budgeted in total (although the budget document presents the disbursements by expenditure account, the legal level of control is the aggregated total for the General Fund).

**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, 2015**

	Budgeted Amounts		Final to Actual
	Actual	Original	Variance
Revenues:			
Contributions from Public Entity			
Members (Related Parties)	\$ 107,213	107,213	0
Alliant Energy Donation	500	500	0
Administrative Fees	4,766	4,766	0
Interest Income – Banks	52	0	52
Total Revenues	112,531	112,479	52
Expenditures:			
Salaries	54,718	54,718	0
IPERS	4,886	4,887	(1)
Payroll Taxes	4,947	4,351	596
Employee Benefits	15,847	15,754	93
Workman’s Compensation	605	518	87
Auto/Travel/Meals Expense	1,475	3,400	(1,925)
Insurance	1,757	1,812	(55)
Bond Insurance	406	433	(27)
Office Expense	969	2,000	(1,031)
Legal Expense	1,898	5,000	(3,102)
Marketing and Promotion	0	7,615	(7,615)
Miscellaneous Expense	0	200	(200)
Postage	413	617	(204)
Professional Fees	3,550	3,875	(325)
Publications/Professional Dues	1,957	1,200	757
Tech and Website Management	2,167	4,100	(1,933)
Telephone	1,117	2,000	(883)
Special Project	600	2,500	(1,900)
Total Expenditures	97,312	114,980	(17,668)
Deficiency of Revenues Under Expenditures	15,219	(2,501)	17,720
Deficiency of Revenues and Other Financing Source Under Expenditures	\$ 15,219	(2,501)	17,720

See Accompanying Independent Auditor’s Report.

**Osceola County Economic Development Commission
 Schedule of Proportionate Share of the Net Pension Liability
 Iowa Public Employees' Retirement System
 Last Fiscal Year*
 Year Ended June 30, 2015**

Commission's Collective Proportion of the Net Pension Liability	(0.0008262)%
Commission's Collective Proportionate Share of the Net Pension Liability	\$ (32,768)
Commission's Covered-Employee Payroll	\$ 63,116
Commission's Collective Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	(51.92)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

* The amounts presented for this fiscal year were determined as of June 30.

See Accompanying Independent Auditor's Report.

**Osceola County Economic Development Commission
Schedule of Contributions
Iowa Public Employee's Retirement System
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily Required Contribution	\$ 67,242	62,565	64,174	61,321	55,151	45,454	42,888	42,021	38,200	37,829
Contributions in Relation to the Statutorily Required Contribution	<u>(67,242)</u>	<u>(62,565)</u>	<u>(64,174)</u>	<u>(61,321)</u>	<u>(55,151)</u>	<u>(45,454)</u>	<u>(42,888)</u>	<u>(42,021)</u>	<u>(38,200)</u>	<u>(37,829)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>0</u>								
Commission Covered Employee Payroll	\$ 676,498	641,450	645,945	621,588	600,447	573,912	556,016	575,636	527,061	498,709
Contributions as a Percentage of Covered Employee Payroll	9.94%	9.75%	9.93%	9.87%	9.18%	7.92%	7.71%	7.30%	7.25%	7.59%

See Accompanying Independent Auditor's Report.

Osceola County Economic Development Commission
Notes to Required Supplementary Information – Pension Liability
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

(Continued)

Osceola County Economic Development Commission
Notes to Required Supplementary Information – Pension Liability
Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
Lowered disability rates for sheriffs and deputies and protection occupation members.

**Osceola County Economic Development Commission
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information**

<i>Year Ended June 30,</i>	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage Of Covered Payroll ((b-a)/c)</i>
2012	Jul 1, 2009	\$ 0	7,887	7,887	0.00%	77,427	10.18%
2013	Jul 1, 2012	\$ 0	0	0	0.00%	76,846	0.00%
2014	Jul 1, 2012	\$ 0	0	0	0.00%	77,170	0.00%
2015	Jul 1, 2012	\$ 0	0	0	0.00%	63,119	0.00%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Accompanying Independent Auditor's Report.

Osceola County Economic Development Commission

Supplementary Information

Osceola County Economic Development Commission
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2015

	Community Foundation of Osceola County	Hawkeye Point Foundation	Sibley Pool Fund	Total
Assets and Liabilities				
Balances Beginning of Year	\$ 44,676	5,873	0	50,549
Additions:				
Grants and Contributions	22,945	9,785	24,018	56,748
Miscellaneous/Trusts	0	951	39,774	40,725
Total Additions	22,945	10,736	63,792	97,473
Deductions:				
Agency Remittances:				
Trusts Paid Out	31,460	15,004	2,749	49,213
Total Deductions	31,460	15,004	2,749	49,213
Balances End of Year	\$ 36,161	1,605	61,043	98,809

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***

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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 Osceola 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 *Government Auditing Standards*, issued by the Comptroller General of the United States 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, 2015, and the related notes, which collectively comprise the OCEDC's basic financial statements listed in the table of contents, and have issued our report thereon dated June 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OCEDC's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the OCEDC'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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the OCEDC's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the OCEDC's internal control described in the accompanying Schedule of Findings as items 2015-001, 003 and 004 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in OCEDC's internal control described in the accompanying Schedule of Findings as items 2015-002 and 005 to be 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Part II of the accompanying Schedule of Findings as items.

Comments involving statutory and other legal matters about the OCEDC's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the OCEDC. 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.

OCEDC Responses to Findings

The OCEDC's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The OCEDC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 OCEDC'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 OCEDC'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 Osceola County Economic Development Commission 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, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

June 23, 2016

Osceola County Economic Development Commission
Schedule of Findings
Year Ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2015-001 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.

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.

Response – We will investigate different alternatives. When possible, we will attempt to utilize existing personnel and independent persons to provide additional control through review of financial transactions and reports.

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

2015-002 Interest Received - During our review of the notes receivable, it was discovered that the incorrect amount of interest was being collected on one note. The amount collected has been \$225 semi-annually, however the loan terms state \$275 should be collected semi-annually.

Recommendation - The OCEDC should implement procedures to review notes receivable and interest amounts collected to verify that the correct amount of interest is being collected.

Response - We will review our notes receivable and make sure all interest collected is correct per the loan terms.

Conclusion - Response accepted.

2015-003 Payroll Issues - During the audit it was discovered that the excess compensated absence carryover by the administrative assistant was not approved by the Board of Directors.

Recommendation - Procedures should be implemented in order to ensure carryover of vacation time is in accordance with established policies and contracts. If excess carryover of vacation time is going to be allowed, the proper channel of approval must be documented.

Osceola County Economic Development Commission
Schedule of Findings
Year Ended June 30, 2015

Response - The OCEDC will evaluate its payroll procedures and attempt to correct the issues identified.

Conclusion - Response accepted.

2015-004 Disbursement Issues - It was noted that invoices are not cancelled as being marked paid, and no indication of approval on the invoice being paid. There were also two instances of the reverse side of check images not being available, and no check image available for checks issued for insurance that were paid by check but came through the bank statements as ACH payments.

Recommendation - The OCEDC should ensure that check images of both sides of all checks are received in accordance with Chapter 55D.114(5) of the Code of Iowa. Additionally, the OCEDC should implement procedures to ensure supporting documentation should be clearly cancelled to reduce the likelihood of double payment, and that all invoices indicate approval to be paid.

Response - We will start to get the reverse image of all checks from the bank in order to be in compliance with the Code of Iowa and we will implement procedures to ensure invoices include indication of approval and are properly marked as paid.

2015-005 Written Disaster Recovery Plan – We noted that the written disaster recovery plan is outdated.

Recommendation – The Director should work with the Board of Directors to update the written disaster recovery plan. Procedures need to be developed to ensure the written disaster recovery plan policy is being kept current.

Response – We will attempt to have the Director work with the Board to update this policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**Osceola County Economic Development Commission
Schedule of Findings
Year Ended June 30, 2015**

Other Findings Related to Required Statutory Reporting:

2015-006 Certified Budget – The OCEDC prepares a budget for the General Fund only. Expenditures during the year ended June 30, 2015 did not exceed the amount budgeted in total for the General Fund.

2015-007 Questionable Expenditures – We did not note any expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

2015-008 Travel Expense – No expenditures of OCEDC money for travel expenses of spouses of OCEDC officials or employees were noted.

2015-009 Business Transactions – Business transactions between the OCEDC and OCEDC officials or employees are detailed as follows:

Name, Business Connection, and Title	Transaction Description	Amount
Mary Earll, Mike Earll’s wife, Executive Director	Website Update	\$ 375

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Mary Earll do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year.

2015-0010 Board Minutes – During our review of the Board of Directors minutes, we noted instances where checks and ACH payments were not included in the minutes as formally approved. We also noted an instance where the member vote was not indicated, instead only stating, "Motion passed 3-1."

Recommendation - The OCEDC should implement procedures to ensure all checks and ACH payments are reviewed and properly approved in the Board of Directors minutes. The vote of each member should be identifiable in accordance with Chapter 21 of the Code of Iowa.

Response - We will make sure that all checks and ACH payments are included in the financials that are approved by the Board of Directors each meeting. We will make sure all votes are properly indicated in the minutes.

Conclusion - Response accepted.

Osceola County Economic Development Commission
Schedule of Findings
Year Ended June 30, 2015

2015-0011 Deposits and Investments – The deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa was complied with, except the OCEDC exceeded the amount of the depository resolution at the Sibley State Bank for several days during the fiscal year ending June 30, 2015. Also, not all banks where funds were held were listed on the depository resolution.

Recommendation – The resolution adopted by the Board of Directors should be in amounts sufficient to cover anticipated balances at all approved depositories at all times throughout the fiscal year. All banks should also be covered by the resolution.

Response – We will review our depository resolution to ensure amounts are not exceeded at any of the approved banks and all banks are approved under the resolution.

Conclusion – Response accepted.

Osceola County Economic Development Commission

Staff

This audit was performed by:

Carmen Austin, CPA, Senior Auditor

Kayla Reck, CPA, Assistant Auditor

Russell Forrest, Assistant Auditor

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