

**OSCEOLA COUNTY ECONOMIC  
DEVELOPMENT COMMISSION**

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

**JUNE 30, 2016**

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



## Table of Contents

		Page
Officials		1
Independent Auditor's Report		2-4
Management's Discussion and Analysis		5-9
Basic Financial Statements:	<u>Exhibit</u>	11
Government-Wide Financial Statements:		
Statement of Net Position	A	12
Statement of Activities	B	13
Governmental Fund Financial Statements:		
Balance Sheet	C	14
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	17
Fiduciary Fund Financial Statements:		
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	G	18
Notes to Financial Statements		19-32
Required Supplementary Information:		33
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Modified Accrual Basis) - General Fund		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Schedule of Proportionate Share of the Net Pension Liability		36
Schedule of Contributions		37
Notes to Required Supplementary Information - Pension Liability		38
Schedule of Funding Progress for the Retiree Health Plan		39
Other Supplementary Information:	<u>Schedule</u>	41
Agency Funds:		
Combining Schedule of Changes in Fiduciary Assets and Liabilities	1	43
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 <i>Government Auditing Standards</i>		45-47
Schedule of Findings		48-50
Staff		51



# Osceola County Economic Development Commission

## Officials

Year Ended June 30, 2016

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



# De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS



121 S. Story Street | Rock Rapids, IA 51246 | www.denoblepc.com  
Phone : (712) 472-2549 | Fax : (712) 472-2540 | Email : cpas@denoblepc.com

## 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, 2016, 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.

#### **MEMBERS**

American Institute - Certified Public Accountants | Private Companies Practice Section | Iowa Society - Certified Public Accountants

## 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 OCEDC as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Proportionate Share of the Net Pension Liability, Net Pension Liability Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 9 and 34 through 39 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2017, on our consideration of the OCEDC'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 OCEDC's 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 30, 2017



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

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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, 2016. We encourage readers to consider this information in conjunction with the OCEDC's financial statements, which follow.

**2016 Financial Highlights**

- Revenues of the OCEDC's governmental activities increased 5.98%, or \$7,819, from fiscal year 2015 to fiscal year 2016. Charges for service decreased \$(23); operating grants, contributions, and restricted interest increased \$3,238; and unrestricted investment earnings increased \$4,604.
- Program expenses of the OCEDC's governmental activities increased 10.18%, or \$9,449, from fiscal year 2015 to fiscal year 2016. Administration and general expenses increased \$7,661 and loan program expenses increased \$1,788.
- The OCEDC's net position increased 4.54%, or \$36,294, from fiscal year 2015 to fiscal year 2016.
- The net change in fund balances from June 30, 2015 to June 30, 2016 for each of the major funds of the OCEDC was as follows: General Fund – increase of \$11,663; and Revolving Loan Fund – increase of \$20,661.

**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 financial statements by providing information about the funds. The remaining financial statements provide 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.
- Other 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 most of the OCEDC's basic services. These focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue 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 governmental fund financial statements follow the governmental 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 \$799,039 to \$835,333, \$36,294 or 4.54%. The analysis that follows focuses on the changes in the net position for governmental activities from a year ago.

#### **Net Position of Governmental Activities**

	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2015</u></b>
Current Assets	\$ 229,740	\$ 528,223
Notes Receivable	677,829	347,317
Capital Assets	1,439	3,996
Net OPEB Asset	523	523
<b>Total Assets</b>	<b><u>909,531</u></b>	<b><u>880,059</u></b>
Deferred Outflows of Resources	<u>( 1,246)</u>	<u>( 10,667)</u>
Other Liabilities	63,764	57,856
Deferred Inflows of Resources	<u>9,188</u>	<u>12,497</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	1,439	3,996
Restricted for Revolving Loan Purposes	857,509	836,555
Unrestricted	<u>( 23,615)</u>	<u>( 41,512)</u>
<b>Total Net Position</b>	<b><u>\$ 835,333</u></b>	<b><u>\$ 799,039</u></b>

Net Position of the OCEDC's governmental activities increased by \$36,294. 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 \$20,952 or 2.50% during the fiscal year ended June 30, 2016.

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 \$17,899 during the fiscal year ended June 30, 2016.

#### **Changes in Net Position of Governmental Activities**

	<b><u>Year Ended June 30, 2016</u></b>	<b><u>Year Ended June 30, 2015</u></b>
Program Revenues:		
Charges for Service	\$ 5,422	\$ 5,446
Operating Grants, Contributions, and Restricted Interest	110,951	107,713
Unrestricted Investment Earnings	<u>22,204</u>	<u>17,600</u>
<b>Total Revenues</b>	<b><u>138,577</u></b>	<b><u>130,759</u></b>

Program Expenses:		
Loan Programs	2,134	346
Administration and General	100,149	92,488
Total Expenses	<u>102,283</u>	<u>92,834</u>
Change in Net Position	36,294	37,925
Net Position Beginning of Year	<u>799,039</u>	<u>761,114</u>
Net Position End of Year	<u>\$ 835,333</u>	<u>\$ 799,039</u>

### **Individual Major Fund Analysis**

As the OCEDC completed the year, the governmental funds reported a combined fund balance of \$886,228, an increase of \$32,324, or 3.79% above last year's total of \$853,904. The following are major reasons for the changes in individual fund balances during the fiscal year ended June 30, 2016.

- The General Fund had an increase in fund balance of \$11,663 during fiscal year 2016. Revenues increased \$2,957 or 2.63% from the prior year. The increase is mainly due to an increased contribution from Osceola County and an increase in donations for the May City Betterment sign. Expenditures increased \$6,513 with the largest increases in salaries and employee benefits.
- The Revolving Loan Fund reported an increase in fund balance in fiscal year 2016 of \$20,661 or 2.47% (from \$836,046 to \$856,707). Revolving Loan Fund revenues increased by \$4,951 or 27.75% when compared to the prior year which is primarily due to an increase in interest income received on note receivables compared to fiscal year 2015. Expenditures increased from last fiscal year by \$1,787, primarily in loan fees and expenses.

### **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, 2016, actual revenues came in over the amount budgeted by \$2,127 and actual expenditures came in below the amount budgeted by \$36,162.

### **Capital Assets**

At June 30, 2016, the OCEDC had \$9,808 invested in capital assets as follows:

	<u><b>June 30, 2016</b></u>
Furniture and Fixtures	\$ 2,838
Computer Equipment	6,305
Other Equipment	665
Total	<u>\$ 9,808</u>

During fiscal year 2016, the OCEDC purchased a computer system for \$1,346 and disposed of a computer and various furniture and fixtures with a total cost of \$6,315 and accumulated depreciation of \$3,261. The OCEDC had depreciation expense of \$848 in fiscal year 2016 and total accumulated depreciation of \$8,369 at June 30, 2016.

## **Long-Term Debt**

The OCEDC had no outstanding notes or bonds as of June 30, 2016. The only long-term debt transactions during the fiscal year ended June 30, 2016 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 money it receives. If you have any questions about this report or need additional financial 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, 2016**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 108,294
Certificates of Deposit	116,812
Prepaid Expenses	1,925
Interest Receivable	1,635
Accounts Receivable	1,074
Notes Receivable – Related Parties	75,855
Notes Receivable (Net of Allowance for Doubtful Accounts)	601,974
Capital Assets (Net of Accumulated Depreciation)	1,439
Net OPEB Asset	523
<b>Total Assets</b>	<b>909,531</b>
 <b>Deferred Outflows of Resources</b>	
Pension Related Deferred Outflows	( 1,246)
 <b>Liabilities</b>	
Accounts Payable	1,999
Payroll and Benefits Payable	3,732
Compensated Absences	3,765
Net Pension Liability	39,460
<b>Total Liabilities</b>	<b>48,956</b>
 <b>Deferred Inflows of Resources</b>	
Assessments Pre-Paid	14,808
Pension Related Deferred Inflows	9,188
<b>Total Deferred Inflows of Resources</b>	<b>23,996</b>
 <b>Net Assets</b>	
Invested in Capital Assets	1,439
Restricted for:	
Revolving Loan Purposes	857,509
Unrestricted	( 23,615)
<b>Total Net Position</b>	<b>\$ 835,333</b>

See Notes to Financial Statements.



**Osceola County Economic Development Commission  
Statement of Activities  
Year Ended June 30, 2016**

	<b>Program Revenues</b>			<b>Net (Expense) Revenue &amp; Changes in Net Position</b>
<b>Expenses</b>	<b>Charges for Service</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Net (Expense) Revenue &amp; Changes in Net Position</b>	
<b>Functions/Programs:</b>				
Governmental Activities:				
Loan Programs	\$ ( 2,134)	1,040	0	( 1,094)
Administration & General	(100,149)	4,382	110,951	15,184
Total	(102,283)	5,422	110,951	14,090
 <b>General Revenues:</b>				
Unrestricted Investment Earnings				22,204
<b>Change in Net Position</b>				36,294
<b>Net Position Beginning of Year</b>				799,039
<b>Net Position End of Year</b>				\$ 835,333

See Notes to Financial Statements.

**Osceola County Economic Development Commission  
Balance Sheet  
Governmental Funds  
June 30, 2016**

	<b>Special Revenue</b>		<b>Total</b>
	<b>General Fund</b>	<b>Revolving Loan Fund</b>	
<b>Assets</b>			
Cash	\$ 49,578	58,716	108,294
Certificates of Deposit	0	116,812	116,812
Due from General Fund	0	1,443	1,443
Prepaid Expenditures	1,925	0	1,925
Interest Receivable	0	1,635	1,635
Accounts Receivable	0	1,074	1,074
Notes Receivable – Related Parties	0	75,855	75,855
Notes Receivable (Net of Allowance for Doubtful Accounts)	0	601,974	601,974
<b>Total Assets</b>	<b>\$ 51,503</b>	<b>857,509</b>	<b>909,012</b>
<b>Liabilities</b>			
Accounts Payable	\$ 1,999	0	1,999
Payroll and Benefits Payable	3,732	0	3,732
Due to Revolving Loan Fund	1,443	0	1,443
<b>Total Liabilities</b>	<b>7,174</b>	<b>0</b>	<b>7,174</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows – Unavailable Revenues	0	802	802
Assessments Pre-Paid	14,808	0	14,808
<b>Total Deferred Inflows of Resources</b>	<b>14,808</b>	<b>802</b>	<b>15,610</b>
<b>Fund Balances</b>			
Nonspendable:			
Prepaid Expenditures	1,925	0	1,925
Restricted For:			
Revolving Loan Funds	0	665,328	665,328
Unassigned	27,596	191,379	218,975
<b>Total Fund Balances</b>	<b>29,521</b>	<b>856,707</b>	<b>886,228</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 51,503</b>	<b>857,509</b>	<b>909,012</b>

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, 2016**

**Total Governmental Fund Balances (Exhibit C)**

*Amounts reported for governmental activities in the Statement of Net Position are different because:* \$ 886,228

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 \$9,808 and the accumulated depreciation is \$8,369. 1,439

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. 802

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	\$ ( 9,188)	
Deferred inflows of resources	<u>( 1,246)</u>	( 10,434)

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. ( 43,225)

**Net Position of Governmental Activities (Exhibit A)** \$ 835,333

**Osceola County Economic Development Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2016**

	General Fund	Special Revenue	Total
		Revolving Loan Fund	
<b>Revenues:</b>			
Contributions from Public Entity Members (Related Parties)	\$ 108,642	0	108,642
Donations	2,308	0	2,308
Administration Fees	4,382	0	4,382
Interest Income - Banks	156	1,424	1,580
Interest Income - Notes	0	21,131	21,131
Loan Application and Documentation Fees	0	240	240
<b>Total Revenues</b>	<b>115,488</b>	<b>22,795</b>	<b>138,283</b>
<b>Expenditures:</b>			
Salaries	58,653	0	58,653
IPERS	5,675	0	5,675
Payroll Taxes	5,150	0	5,150
Employee Benefits	18,039	0	18,039
Workman's Compensation	436	0	436
Auto/Travel/Meals Expense	1,241	0	1,241
Bond Insurance	442	0	442
Loan Fees and Expenses	0	2,134	2,134
Professional Fees	3,956	0	3,956
Office Expense	2,318	0	2,318
Insurance	1,818	0	1,818
Postage	419	0	419
Publications/Professional Dues	1,070	0	1,070
Tech and Website Management	1,826	0	1,826
Telephone	919	0	919
Special Projects	1,863	0	1,863
<b>Total Expenditures</b>	<b>103,825</b>	<b>2,134</b>	<b>105,959</b>
<b>Change in Fund Balances</b>	<b>11,663</b>	<b>20,661</b>	<b>32,324</b>
<b>Fund Balances – Beginning of Year</b>	<b>17,858</b>	<b>836,046</b>	<b>853,904</b>
<b>Fund Balances – End of Year</b>	<b>\$ 29,521</b>	<b>856,707</b>	<b>886,228</b>

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, 2016**

**Net Change in Fund Balances – Total Governmental Funds (Exhibit E)** \$ 32,324

*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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Depreciation expense	( 848)	
Expenditures for capital assets	1,346	498

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. ( 3,054)

Because some revenues will not be collected for several months after the OCEDC's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Note receivable interest	( 484)	
Bank interest	( 23)	
Loan application and documentation fees	800	293

The current year OCEDC 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. 5,154

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	884	
Compensated absences	195	1,079

**Change in Net Position of Governmental Activities (Exhibit B)** \$ 36,294

See Notes to Financial Statements.

**Osceola County Economic Development Commission  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2016**

	<b>Community Foundation of Osceola County</b>	<b>Hawkeye Point Foundation</b>	<b>Sibley Pool Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash	\$ 22,241	2,780	114,735	139,756
<b>Total Assets</b>	22,241	2,780	114,735	139,756
<b>Liabilities</b>				
Trusts Payable	22,241	2,780	114,735	139,756
<b>Total Liabilities</b>	22,241	2,780	114,735	139,756
<b>Net Position</b>	\$ 0	0	0	0

See Notes to Financial Statements.

**Osceola County Economic Development Commission**  
**Notes to Financial Statements**  
**June 30, 2016**

1) Summary of Significant Accounting Policies

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

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

Under the 28E agreement, each member shall be assessed annually and agrees to pay a share of the expenses of the operation of the OCEDC. These member contributions are a critical financial source for the OCEDC. During the fiscal year ended June 30, 2016, the total contributions from public entity members were as follows:

Osceola County	\$ 58,590
City of Ashton	2,521
City of Harris	618
City of Melvin	1,406
City of Ocheyedon	2,893
City of Sibley	42,614
	<hr/>
	\$ 108,642

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 is often subject to 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, 2016, 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. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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 year(s) which 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 OCEDC after the measurement date but before the end of the OCEDC’s reporting period.

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

Compensated Absences – OCEDC employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. 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 governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. 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 pension 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. The net pension liability attributable to the governmental activities will be paid by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 represent 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 2016-2017 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 that will not be recognized until the year for which the public entity member was assessed and the unamortized portion of the net difference between projected and actual earnings on IPERS investments.

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, 2016, the General Fund budget was not exceeded for expenditures.

#### 2) Cash and Certificates of Deposit

The OCEDC's deposits in banks at June 30, 2016 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 ensure 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. 72.

3) Due from General Fund/Due to Revolving Loan Fund

The detail of interfund receivables and payables at June 30, 2016 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, 2016 reflects the amount due on those notes receivable as of that date and is computed as follows:

Balance on June 30, 2015	\$ 347,317
New Notes Issued	383,500
Payments on Principal	(52,989)
Balance on June 30, 2016	<u>\$ 677,828</u>

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

June 30, 2017	\$ 307,920
June 30, 2018	30,912
June 30, 2019	31,920
June 30, 2020	32,937
June 30, 2021 and After	274,139
	<u>\$ 677,828</u>

Loans are carried as notes receivable until deemed uncollectible. As of June 30, 2016, no allowance for doubtful accounts has been recorded.

During the year ended June 30, 2016, Osceola County (a member of the OCEDC; therefore, considered to be a related party) refinanced its outstanding loan agreement with the OCEDC.

Under the new terms of the loan agreement, monthly payments of principal and interest are to be paid through December 2028 at a 3% interest rate. The balance as of June 30, 2016 on this note was \$75,855 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, 2016 was as follows:

	<b>Balance Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance End of Year</b>
Furniture and Fixtures	\$ 7,619	0	4,781	2,838
Computer Equipment	6,494	1,346	1,535	6,305
Other Equipment	665	0	0	665
Total Capital Assets	14,778	1,346	6,316	9,808
Less Accumulated Depreciation	10,782	848	3,261	8,369
Governmental Activities Capital Assets, Net	\$ 3,996	498	3,055	1,439

Depreciation expense of \$848 was charged to the Administration & General program.

The OCEDC does not have any “intangible” capital assets as of June 30, 2016.

#### 6) Changes in Long-Term Liabilities

Long-term liabilities during the year ended June 30, 2016 consisted of compensated absences and net pension liability. A summary of changes in long-term liabilities for the fiscal year ended June 30, 2016 is as follows:

	<b>Net Pension Liability</b>	<b>Compensated Absences</b>
Balance – Beginning of Year	\$ 32,768	3,961
Increases	6,692	3,751
Decreases	0	( 3,947)
Balance – End of Year (Due Within One Year)	\$ 39,460	3,765

#### 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 PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-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% 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% 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the OCEDC contributed 8.93% for a total rate of 14.88%.

The OCEDC's contributions to IPERS for the year ended June 30, 2016 totaled \$5,154.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the OCEDC reported a liability of \$39,460 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the OCEDC's collective proportion was 0.000794%, which was a decrease of (0.000016%) from its collective proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the OCEDC recognized a negative pension expense of \$(6,038). At June 30, 2016, 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	\$ 596	\$ 0
Changes of assumptions	1,086	0
Net difference between projected and actual earnings on pension plan investments	5,904	9,188
Changes in proportion and differences between OCEDC contributions and proportionate share of contributions	( 13,986)	0
OCEDC contributions subsequent to the measurement date	5,154	0
Total	\$ ( 1,246)	\$ 9,188

\$5,154 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2017	\$ ( 5,312)
2018	( 5,312)
2019	( 5,312)
2020	373
2021	( 25)
Total	\$ ( 15,588)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group
Long-term Investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of IPERS 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>
Core plus fixed income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed 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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive



employees. Therefore, the long-term expected rate of return on IPERS' 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%, 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% lower (6.5%) or 1% higher (8.5%) 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:	\$ 69,088	39,460	14,453

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on the IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - All legally required OCEDC contributions and legally required employee contributions which had been withheld from employee wages were remitted by the OCEDC to IPERS by June 30, 2016.

#### 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 employees, 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, 2016, 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		0
Contributions made		0
Increase in net OPEB obligation		0
Net OPEB obligation beginning of year		( 523)
Net OPEB obligation end of year	\$	( 523)

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, 2016.

For the year ended June 30, 2016, 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, 2016 are summarized as follows:

<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2012	\$ 699	179.0%	\$ (523)
2013	0	0.0%	(523)
2014	0	0.0%	(523)
2015	0	0.0%	(523)
2016	0	0.0%	(523)

**Funded Status and Funding Progress.** As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2017, 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 \$66,635 and the ratio of the UAAL to covered payroll was 0.00%. As of June 30, 2016, 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 for the retiree health plan, 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, 2015 actuarial valuation date, the unit credit 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. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RPH-2015 Total Dataset Mortality Table. Termination rates were set based on the historical experience of the OCEDC.

Projected claim costs of the medical plan are \$16,118 for Plan A (\$500 deductible) or \$15,511 (\$750 deductible) 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 June 21, 2016, the Board approved a \$37,500 loan application to be paid from the Revolving Loan Fund.

#### 11) Subsequent Events

On August 5, 2016, the OCEDC issued a \$37,500 note from the Revolving Loan Fund, payable over 10 years at 3%.

In August 2016, the Board approved a note to for \$80,000 to be paid from the Revolving Loan Fund. The loan has not been issued yet.

## 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) New Accounting Pronouncement

The OCEDC adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have any impact on amounts reported or disclosed in the financial statements.

**Osceola County Economic Development Commission**

**Required Supplementary Information**

**Osceola County Economic Development Commission  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances–  
 Budget and Actual (Modified Accrual Basis) – General Fund  
 Required Supplementary Information  
 Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Final to Actual</b>
	<b>Actual</b>	<b>Original</b>	<b>Variance</b>
<b>Revenues:</b>			
Contributions from Public Entity			
Members (Related Parties)	\$ 108,642	108,642	0
Alliant Energy Donation	2,308	500	1,808
Administrative Fees	4,382	4,219	163
Interest Income – Banks	156	0	156
<b>Total Revenues</b>	<b>115,488</b>	<b>113,361</b>	<b>2,127</b>
<b>Expenditures:</b>			
Salaries	58,653	57,718	935
IPERS	5,675	5,950	( 275)
Payroll Taxes	5,150	5,164	( 14)
Employee Benefits	18,039	17,986	53
Workman’s Compensation	436	534	( 98)
Auto/Travel/Meals Expense	1,241	3,400	( 2,159)
Insurance	1,818	1,780	38
Bond Insurance	442	450	( 8)
Office Expense	2,318	2,000	318
Legal Expense	0	5,000	( 5,000)
Marketing and Promotion	0	20,128	( 20,128)
Miscellaneous Expense	0	500	( 500)
Postage	419	650	( 231)
Professional Fees	3,956	3,875	81
Publications/Professional Dues	1,070	1,225	( 155)
Tech and Website Management	1,826	4,500	( 2,674)
Telephone	919	2,000	( 1,081)
Special Project	1,863	5,000	( 3,137)
<b>Total Expenditures</b>	<b>103,825</b>	<b>137,860</b>	<b>( 34,035)</b>
<b>Excess/(Deficiency) of Revenues Under Expenditures</b>	<b>11,663</b>	<b>( 24,499)</b>	<b>36,162</b>

See Accompanying Independent Auditor’s Report.

**Osceola County Economic Development Commission**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2016**

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, 2016, 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  
Schedule of Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
For the Last Two Fiscal Years\*  
Year Ended June 30, 2016**

	<u>2016</u>	<u>2015</u>
<b>OCEDC's Collective Proportion of the Net Pension Liability</b>	(0.000794)%	(0.0008262)%
<b>OCEDC's Collective Proportionate Share of the Net Pension Liability</b>	\$(39,460)	(32,768)
<b>OCEDC's Covered-Employee Payroll</b>	\$66,635	63,116
<b>OCEDC's Collective Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</b>	(59.22)%	(51.92)%
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	87.61%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.



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

	<u>2016</u>	<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>
<b>Statutorily Required Contribution</b>	\$ 5,154	\$ 4,886	4,828	6,663	6,248	5,085	4,870	4,515	4,139	3,778
<b>Contributions in Relation to the Statutorily Required Contribution</b>	<u>(5,154)</u>	<u>(4,886)</u>	<u>(4,828)</u>	<u>(6,663)</u>	<u>(6,248)</u>	<u>(5,085)</u>	<u>(4,870)</u>	<u>(4,515)</u>	<u>(4,139)</u>	<u>(3,778)</u>
<b>Contribution Deficiency (Excess)</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>County Covered Employee Payroll</b>	\$ 66,635	\$ 62,519	77,171	76,846	77,427	73,289	73,232	71,098	68,418	68,890
<b>Contributions as a Percentage of Covered Employee Payroll</b>	7.73%	7.82%	6.26%	8.67%	8.07%	6.94%	6.65%	6.35%	6.05%	5.48%

See Accompanying Independent Auditor's Report.

**Osceola County Economic Development Commission**  
**Notes to Required Supplementary Information – Pension Liability**  
**Year Ended June 30, 2016**

*Changes of benefit terms:*

Legislation enacted 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% per year measured from the member's first unreduced retirement age to a 6% 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.

*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% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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.

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.

**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>
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%
2016	Jul 1, 2015	\$ 0	0	0	0.00%	66,635	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, 2016**

	<b>Community Foundation of Osceola County</b>	<b>Hawkeye Point Foundation</b>	<b>Sibley Pool Fund</b>	<b>Total</b>
<b>Assets and Liabilities</b>				
Balances Beginning of Year	\$ 36,161	1,605	61,043	98,809
Additions:				
Grants and Contributions	93,046	4,558	24,519	122,123
Miscellaneous/Trusts	0	2,109	33,340	35,449
Total Additions	93,046	6,667	57,859	157,572
Deductions:				
Agency Remittances:				
Trusts Paid Out	106,966	5,492	4,167	116,625
Total Deductions	106,966	5,492	4,167	116,625
Balances End of Year	\$ 22,241	2,780	114,735	139,756

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***



# De Noble, Austin & Company PC

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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, 2016, and the related Notes to Financial Statements, which collectively comprise the OCEDC's basic financial statements and have issued our report thereon dated June 30, 2017.

### **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, material weaknesses or significant deficiencies may exist that were not 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items 2016-001 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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2016-002 and 003 to be significant deficiencies.

### **MEMBERS**

American Institute - Certified Public Accountants | Private Companies Practice Section | Iowa Society - Certified Public Accountants

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCEDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the OCEDC's operations for the year ended June 30, 2016 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 and Questioned Costs. 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 OCEDC during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*De Noble, Austin & Company PC*

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

June 30, 2017

**Osceola County Economic Development Commission**  
**Schedule of Findings**  
**Year Ended June 30, 2016**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

2016-001 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.

2016-002 Note Receivable Extension – We noted a note receivable of which the outstanding principal balance was due June 1, 2016, however, the note was not paid in full at this time and there was no board approval of an extension for this note.

Recommendation - The OCEDC should implement procedures to review notes receivable for due dates and document any time when an extension is discussed and approved.

Response - We will review our notes receivable and make sure all loan extensions are documented in the board minutes.

Conclusion - Response accepted.

2016-003 Payroll Issues – We noted an error in the compensated absences calculation which resulted in an incorrect balance of hours accumulated for an employee at June 30, 2016.

**Osceola County Economic Development Commission**  
**Schedule of Findings**  
**Year Ended June 30, 2016**

Recommendation - Procedures should be implemented to ensure supporting documentation used to track compensated absences is properly completed and accurate, as well as updated on a consistent basis..

Response - We will evaluate our payroll procedures to keep the employee's vacation spreadsheets current.

Conclusion - Response accepted.

2016-004 Disbursement Issues - We noted instances in which invoices were not cancelled properly, and an instance of a payment with no supporting documentation/invoice. Additionally, we noted the reverse side of check images are not received from one bank.

Recommendation - The OCEDC should implement procedures to ensure supporting documentation is maintained for all expenditures, and that invoices should be clearly cancelled with approval indicated to reduce the likelihood of double payment. The OCEDC should ensure that check images of both sides of all checks are received.

Response - We will implement procedures to ensure invoices include indication of approval and are properly marked as paid. Additionally, we will get the reverse image of all cleared checks from the bank.

Conclusion - Response accepted.

2016-005 Interfund Loan - In March 2016, the general fund issued a short-term interfund loan to the revolving loan fund but the transaction and the terms of the loan were not approved in the board minutes.

Recommendation - The OCEDC should implement procedures to ensure that all interfund loans are approved and that the terms and nature of the interfund loan is disclosed.

Response - We will review our interfund loans and make sure they are approved in the board minutes along with the terms and nature of the loans.

Conclusion - Response accepted

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Osceola County Economic Development Commission  
Schedule of Findings  
Year Ended June 30, 2016**

**Part II: Other Findings Related to Required Statutory Reporting:**

2016-006 Certified Budget – The OCEDC prepares a budget for the General Fund only. Expenditures during the year ended June 30, 2016 did not exceed the amount budgeted in total for the General Fund.

2016-007 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.

2016-008 Travel Expense – No expenditures of OCEDC money for travel expenses of spouses of OCEDC officials or employees were noted.

2016-009 Business Transactions – There were no noted related party transactions between the OCEDC and OCEDC officials or employees during the fiscal year ending June 30, 2016.

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.

Recommendation - The OCEDC should implement procedures to ensure all checks and ACH payments are reviewed and properly approved in the Board of Directors minutes.

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.

Conclusion - Response accepted.

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.

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.

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

Conclusion – Response accepted.

## **Osceola County Economic Development Commission**

### **Staff**

This audit was performed by:

Carmen Austin, CPA, Senior Auditor  
Kayla Reck, Assistant Auditor  
Russell Forrest, CPA, Assistant Auditor  
Nicole Schneekloth, Assistant Auditor

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