



Osceola County

Economic Development Commission

2020

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Independent Auditor's Reports
Basic Financial Statements
Supplementary Information
Schedule of Findings

June 30, 2020

Prepared By:

De Noble, Austin & Company PC

121 South Story Street

Rock Rapids, Iowa 51246

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OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

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June 30, 2020

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OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Officials
June 30, 2020

Officials

<u>Name</u>	<u>Title</u>	<u>City</u>
Lila Hatting	President	City of Sibley
Joe McElroy	Vice President	City of Ocheyedan
Brian Mino	Secretary/Treasurer	City of Ashton
Kim McDougall	Board Member	City of Melvin
Amy Muftah	Board Member	City of Harris
Mike Schulte	Board Member	Osceola County
Stephanie Neopl	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, 2020, 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 OCEDC as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

MEMBERS

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

Emphasis of a Matter

As discussed in Note 11 to the financial statements, Lyon County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. 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, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of the OCEDC's Contributions, and the Schedule of Changes in the OCEDC's Total OPEB Liability, Related Ratios and Notes on pages 4 through 7 and 29 through 35 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2021, 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

Certified Public Accountants

June 30, 2021

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Management's Discussion & Analysis

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, 2020. We encourage readers to consider this information in conjunction with the OCEDC's financial statements, which follow.

2020 Financial Highlights

- Revenues of the OCEDC's governmental activities decreased \$(6,879). Unrestricted investment earnings decreased \$(11,309); operating grants, contributions and restricted interest decreased \$(1,217); and charges for services increased \$5,647.
- Expenses of the OCEDC's governmental activities increased from the prior year \$204,357, including an increase of \$173 in loan programs expenses, and an increase of \$204,184 in administration and general expenses.
- The OCEDC's governmental activities net position decreased \$(183,104), from the June 30, 2019 balance.

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 (Custodial 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 Changes in the OCEDC's Total OPEB Liability, Related Ratios, and Notes.

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 custodial capacity for others which cannot be used to support the OCEDC's own programs. These fiduciary funds include Custodial Funds that account for the Community Foundation of Osceola County and the Hawkeye Point Foundation.

The required financial statement for fiduciary funds is a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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 analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities

	June 30, 2020	June 30, 2019
Current Assets	\$ 512,286	\$ 490,868
Notes Receivable	153,668	372,562
Capital Assets	2,617	4,565
Total Assets	668,571	867,995
Deferred Outflows of Resources	22,396	15,740
Total Liabilities	77,743	75,785
Deferred Inflows of Resources	6,013	17,635
Net Position:		
Invested in Capital Assets	2,617	4,565
Restricted for Revolving Loan Purposes	592,459	781,164
Unrestricted	12,135	4,586
Total Net Position	\$ 607,211	\$ 790,315

The net position of the OCEDC's governmental activities decreased 23.17% (\$607,211 compared to \$790,315). 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 decreased \$188,705 or 24.16% during the fiscal year ended June 30, 2020. 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 \$7,549 during the fiscal year ended June 30, 2020.

Changes in Net Position of Governmental Activities

	Year Ended June 30, 2020	Year Ended June 30, 2019
Program Revenues:		
Charges for Service	\$ 8,815	\$ 3,168
Operating Grants, Contributions, and Restricted Interest	126,513	127,730
Unrestricted Investment Earnings	9,698	21,007
Total Revenues	145,026	151,905
Loan Programs	560	387
Administration and General	327,570	123,386
Total Expenses	328,130	123,773
Change in Net Position	(183,104)	28,132
Net Position Beginning of Year	790,315	762,183
Net Position End of Year	\$ 607,211	\$ 790,315

The OCEDC's governmental activities net position decreased \$183,104 during the year. Revenues for governmental activities decreased \$6,879. Expenses for governmental activities increased from the prior year \$204,357.

Individual Major Fund Analysis

As the OCEDC completed the year, the governmental funds reported a combined fund balance of \$658,747, a decrease of \$(168,443) from last year's total of \$827,190. The following are major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund had an increase in fund balance of \$11,632 during fiscal year 2020. Revenues increased \$4,283, or 3.26%, from the prior year. Expenditures decreased \$(10,775), or 8.00%, with the largest decreases in office expense and employee benefits.
- The Revolving Loan Fund reported an decrease in fund balance in fiscal year 2020 of \$(180,075) or 23.31% (from \$772,473 to \$592,398). Revolving Loan Fund revenues increased by \$6,100, or 51.05%, when compared to the prior year which is primarily due to an increase in interest income received on note receivables. Expenditures increased from last fiscal year by \$198,124, primarily due to bad debt expense recognized in fiscal year 2020.

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, 2020, actual revenues came in over the amount budgeted by \$6,176 and actual expenditures came in below the amount budgeted by \$90,017.

Capital Assets

At June 30, 2020 the OCEDC had \$7,456 invested in capital assets as follows:

	June 30, 2020	June 30, 2019
Furniture and Fixtures	\$ 200	\$ 2,788
Computer Equipment	6,756	6,806
Other Equipment	500	590
Intangibles	0	1,150
Total	\$ 7,456	\$ 11,334

There were no additions during fiscal year 2020 and several items were disposed of. During fiscal year 2020, the OCEDC had depreciation expense of \$1,157 and total accumulated depreciation of \$4,839.

Long-Term Debt

The OCEDC had no outstanding notes or bonds as of June 30, 2020. The only long-term debt transactions during the fiscal year ended June 30, 2020 were for compensated absences, total OPEB liability and net pension liability. Additional information about these liabilities is presented in Notes 6, 7 and 8 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 Stephanie Neppel, Executive Director at 712-754-2523.

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Basic Financial Statements

Osceola County Economic
Development Commission

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION
Basic Financial Statements

Exhibit A – Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash	\$ 356,211
Certificates of Deposit	154,299
Prepaid Expenses	946
Interest Receivable (Certificates of Deposit)	426
Interest Receivable (Notes Receivable)	404
Notes Receivable (Net of Allowance for Doubtful Accounts of \$188,843)	153,668
Capital Assets (Net of Accumulated Depreciation and Amortization)	2,617
Total Assets	668,571
Deferred Outflows of Resources	
Pension Related Deferred Outflows	22,396
Liabilities	
Accounts Payable	3,909
Payroll and Benefits Payable	3,276
Compensated Absences	3,483
Total OPEB Liability	6,013
Net Pension Liability	58,394
Total Liabilities	75,075
Deferred Inflows of Resources	
Assessments Pre-Paid	0
Pension Related Deferred Inflows	8,681
Total Deferred Inflows of Resources	8,681
Net Assets	
Invested in Capital Assets	2,617
Restricted for:	
Revolving Loan Purposes	592,459
Unrestricted	12,135
Total Net Position	\$ 607,211

See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Basic Financial Statements

Exhibit B – Statement of Activities

Year Ended June 30, 2020

	Program Revenues			
			Operating Grants, Contributions and Restricted Interest	
	Expenses	Charges for Service		Net (Expense) Revenue & Changes in Net Position
Functions/Programs:				
Governmental Activities:				
Loan Programs	\$ (560)	0	0	(560)
Administration & General	(327,570)	8,815	126,513	(192,242)
Total	(328,130)	8,815	126,513	(192,802)
General Revenues:				
Unrestricted Investment Earnings				9,698
Change in Net Position				(183,104)
Net Position Beginning of Year				790,315
Net Position End of Year				\$ 607,211

See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION
Basic Financial Statements

Exhibit C – Balance Sheet – Governmental Funds

June 30, 2020

	<u>Special Revenue</u>		
	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
Assets			
Cash	\$ 74,031	282,180	356,211
Certificates of Deposit	0	154,299	154,299
Due from General Fund	0	1,443	1,443
Prepaid Expenditures	946	0	946
Interest Receivable (Certificates of Deposit)	0	426	426
Interest Receivable (Notes Receivable)	0	404	404
Notes Receivable (Net of Allowance for Doubtful Accounts)	0	153,668	153,668
Total Assets	\$ 74,977	592,420	667,397
Liabilities			
Accounts Payable	\$ 3,909	0	3,909
Payroll and Benefits Payable	3,276	0	3,276
Due to Revolving Loan Fund	1,443	0	1,443
Total Liabilities	8,628	0	8,628
Deferred Inflows of Resources			
Deferred Inflows – Unavailable Revenues	0	22	22
Total Deferred Inflows of Resources	0	22	22
Fund Balances			
Nonspendable:			
Prepaid Expenditures	946	0	946
Restricted For:			
Revolving Loan Funds	0	148,646	148,646
Unassigned	65,403	443,752	509,155
Total Fund Balances	66,349	592,398	658,747
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 74,977	592,420	667,397

See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Basic Financial Statements

Exhibit D – Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

June 30, 2020

Total Governmental Fund Balances (Exhibit C)	\$ 658,747
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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 \$7,456 and the accumulated depreciation is \$4,839.	2,617
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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.	22
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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 Inflows of Resources	\$ (6,013)	
Deferred Outflows of Resources	22,396	16,383

Long-term liabilities, including compensated absences payable, total OPEB liability, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(70,558)
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Net Position of Governmental Activities (Exhibit A)	\$ 607,211
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See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION
Basic Financial Statements

**Exhibit E – Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds**

Year Ended June 30, 2020

	General Fund	Special Revenue Revolving Loan Fund	Total
Revenues:			
Contributions from Public Entity Members (Related Parties)	\$ 115,730	0	115,730
Grants and Donations	10,715	0	10,715
Administration Fees	8,815	0	8,815
Interest Income - Banks	318	3,691	4,009
Interest Income – Notes	0	14,318	14,318
Miscellaneous Revenues	28	40	68
Total Revenues	135,606	18,049	153,655
Expenditures:			
Salaries	78,835	0	78,835
IPERS	7,482	0	7,482
Payroll Taxes	6,198	0	6,198
Employee Benefits	18,027	0	18,027
Workman's Compensation	472	0	472
Auto/Travel/Meals Expense	2,100	0	2,100
Bond Insurance	438	0	438
Professional Development	465	0	465
Professional Fees	3,600	0	3,600
Office Expense	415	0	415
Insurance	1,770	0	1,770
Postage	184	0	184
Publications/Professional Dues	1,139	0	1,139
Tech and Website Management	2,271	0	2,271
Telephone	573	0	573
Miscellaneous	5	70	75
Loan Fees	0	560	560
Bad Debt Expense	0	197,494	197,494
Total Expenditures	123,974	198,124	322,098
Change in Fund Balances	11,632	(180,075)	(168,443)
Fund Balances – Beginning of Year	54,717	772,473	827,190
Fund Balances – End of Year	\$ 66,349	592,398	658,747

See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION
Basic Financial Statements

**Exhibit F – Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds to the Statement of Activities**
Year Ended June 30, 2020

Net Change in Fund Balances – Total Governmental Funds (Exhibit E) **\$ (168,443)**

*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 for the current year, as follows:

Depreciation Expense (1,157)

In the Statement of Activities, the disposition of capital assets are reported as general revenues for gains and expenses for losses, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.

(791)

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 (8,628)

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.

(7,482)

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	3,400	
OPEB Expense	(337)	
Compensated Absences	334	3,397

Change in Net Position of Governmental Activities (Exhibit B) **\$ (183,104)**

See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION
Basic Financial Statements

Exhibit G – Statement of Fiduciary Assets and Liabilities – Custodial Funds

June 30, 2020

	Community Foundation of Osceola County	Hawkeye Point Foundation	Total
Assets			
Cash	\$ 24,316	14,031	38,347
Total Assets	24,316	14,031	38,347
Liabilities			
Due to Other Funds	2,681	0	2,681
Due to Other Governments	8	0	8
Trusts Payable	21,627	14,031	35,658
Total Liabilities	24,316	14,031	38,347
Net Position			
Restricted for Organizations and Other Governments	\$ 0	0	0

See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Basic Financial Statements

Exhibit H – Schedule of Changes in Fiduciary Net Position Custodial Funds

Year Ended June 30, 2020

	Community Foundation of Osceola County	Hawkeye Point Foundation	Total
Additions:			
Grants and Contributions	\$ 123,018	14,713	137,731
Total Additions	123,018	14,713	137,731
Deductions:			
Custodial Remittances:			
To Other Funds	5,095	0	5,095
To Other Governments	5,000	0	5,000
Trusts Paid Out	112,923	14,713	127,636
Total Deductions	123,018	14,713	137,731
Changes in Net Position	0	0	0
Net Position, Beginning of year	0	0	0
Net Position, End of Year	\$ 0	0	0

See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Notes to Financial Statements

Note 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, 2020, the total contributions from public entity members were as follows:

Osceola County	\$ 65,678
City of Ashton	2,521
City of Harris	618
City of Melvin	1,406
City of Ocheyedon	2,893
City of Sibley	42,614
	<u>\$ 115,730</u>

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, administration fees, 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 – Custodial 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 interest earned on the cash accounts and certificates of deposit is recorded and maintained in the appropriate funds. The OCEDC also earns interest from direct notes receivable (See Note 4).
- **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, 2020, 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, furniture and fixtures and intangibles 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/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Computer Equipment	5 years
Furniture and Fixtures	10 years
Other Equipment	10 years
Intangibles	3-15 years

- **Deferred Outflows of Resources** – Deferred outflows of resources represent a consumption of net position applicable 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. Additionally, employees earn sick-leave hours and compensatory time-off for subsequent use, but hours accumulated are not payable to the employee. A liability for the cost of unused vacation accumulations is recorded as compensated absences 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, 2020. 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.
- **Total OPEB Liability** – For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the OCEDC's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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.

Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet charges to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

- **Fund Balance** – 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, 2020, the General Fund budget was not exceeded for expenditures.

Note 2: Cash and Certificates of Deposit

The OCEDC's deposits in banks at June 30, 2020 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.

Note 3: Due from General Fund/Due to Revolving Loan Fund

The detail of interfund receivables and payables at June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
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 legal fees paid from the Revolving Loan Fund account for general fund expenses and Revolving Loan Fund interest collected by the general fund.

Note 4: Notes Receivable

A. Revolving Loan Fund

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

The notes issued carry an interest rate from 3% to 4.5%. The terms of notes vary from five years to ten years, with some extensions granted for hardships that meet certain criteria. As of June 30, 2020, the amount due on those notes receivable is computed as follows:

Balance on June 30, 2019	\$ 372,562
Payments on Principal	<u>(30,051)</u>
Balance on June 30, 2020	342,511
Allowance for Doubtful Accounts	<u>(188,843)</u>
Balance on June 30, 2020	<u>\$ 153,668</u>

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

June 30, 2021	\$ 74,456
June 30, 2022	14,577
June 30, 2023	14,659
June 30, 2024	13,942
June 30, 2025 and After	<u>36,034</u>
	<u>\$ 153,668</u>

Loans are carried as notes receivable until deemed uncollectible. As of June 30, 2020, the allowance for doubtful accounts had a balance of \$188,843.

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and Fixtures	\$ 2,788	0	(2,588)	200
Computer Equipment	6,806	0	(50)	6,756
Other Equipment	590	0	(90)	500
Intangibles	1,150	0	(1,150)	0
Total Capital Assets	11,334	0	(3,878)	7,456
Less Accumulated Depreciation	6,769	1,157	(3,087)	4,839
Governmental Activities Capital Assets, Net	\$ 4,565	1,157	791	2,617

Depreciation expense of \$1,157 was charged to the Administration & General function.

Note 6: Long-Term Liabilities

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2020 is as follows:

	Net Pension Liability	OPEB Liability	Compensated Absences
Balance – Beginning of Year	\$ 53,650	5,676	3,818
Increases	4,744	337	3,515
Decreases	0	0	(3,850)
Balance – End of Year (Due Within One Year)	\$ 58,394	6,013	3,483

Note 7: Pension Plan

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 PO 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, 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 2020, pursuant to the required rate, Regular members contributed 6.29% of pay and the OCEDC contributed 9.44% for a total rate of 15.73%.

The OCEDC's contributions to IPERS for the year ended June 30, 2020 totaled \$7,482.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the OCEDC reported a liability of \$58,394 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the OCEDC's proportion was 0.0010084%, which was an increase of 0.000161% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the OCEDC recognized a pension expense of \$4,082. At June 30, 2020, 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	\$ 162	\$ 2,100
Changes of assumptions	6,255	0
Net difference between projected and actual earnings on pension plan investments	0	6,581
Changes in proportion and differences between OCEDC contributions and proportionate share of contributions	8,497	0
OCEDC contributions subsequent to the measurement date	7,482	0
Total	\$ 22,396	\$ 8,681

\$7,482 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, 2021. 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,	Amount
2021	\$ 3,358
2022	617
2023	938
2024	640
2025	680
Total	\$ 6,233

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group
Long-term Investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	5.60%
International Equity	15.0	6.08
Global Smart Beta Equity	3.0	5.82
Core Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	(0.21)
Private Equity	11.0	10.13
Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. 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 7.0%, 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 (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
OCEDC's proportionate share of the net pension liability:	\$ 103,689	58,394	20,401

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.

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, 2020.

Note 8: Other Postemployment Benefits (OPEB)

Plan Description – The OCEDC administers a single-employer retiree benefit plan (participating with the Osceola County) which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the OCEDC and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. 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. Retired participants must be age 55 or older at retirement. At June 30, 2020, there were 2 active employees covered by the benefit terms.

Total OPEB Liability – The OCEDC's total OPEB liability of \$6,01381 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2020)	2.60% per annum
Rates of salary increase (effective June 30, 2020)	3.50% per annum, including inflation.
Discount Rate (effective June 30, 2020)	2.66%, compounded annually, including inflation
Healthcare Cost Trend Rate (effective June 30, 2020)	8.00% initial rate decreasing by .5% annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.66% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA Pub-2010 General Headcount Weighted mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	\$ 5,676
Changes for the year:	
Service cost	433
Interest	280
Differences between expected and actual experiences	(786)
Changes in assumptions	410
Benefit payments	0
Net changes	337
Total OPEB liability End of Year	\$ 6,013

Changes of assumptions reflect a change in the discount rate from 3.51% in fiscal year 2019 to 2.66% in fiscal year 2020.

Sensitivity of the OCEDC's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the OCEDC, as well as what the OCEDC's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.66%) or 1% higher (3.66%) than the current discount rate.

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB Liability:	\$6,466	6,013	5,592

Sensitivity of the OCEDC's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the OCEDC, as well as what the OCEDC's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB Liability:	\$ 5,401	6,013	6,741

OPEB Expense – For the year ended June 30, 2020, the OCEDC recognized an OPEB expense of \$337.

Note 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.

Note 10: 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.

Note 11: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for the state and local governments which report fiduciary activity.

Required Supplementary Information

Osceola County Economic
Development Commission

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Required Supplementary Information

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Modified Accrual Basis) – General Fund

Year Ended June 30, 2020

	Budgeted Amounts		Final to Actual Variance
	Actual	Original	
Revenues:			
Contributions from Public Entity Members (Related Parties)	\$ 115,730	115,730	0
Donations and Grants	10,715	10,500	215
Administrative Fees	8,815	3,200	5,615
Interest Income – Banks	318	0	318
Miscellaneous Revenues	28	0	28
Total Revenues	135,606	129,430	6,176
Expenditures:			
Salaries	78,835	89,389	(10,554)
IPERS	7,482	8,438	(956)
Payroll Taxes	6,198	6,928	(730)
Employee Benefits	18,027	23,540	(5,513)
Workman's Compensation	472	470	2
Auto/Travel/Meals Expense	2,100	4,000	(1,900)
Insurance	1,770	1,980	(210)
Bond Insurance	438	470	(32)
Office Expense	415	2,000	(1,585)
Marketing and Promotion	0	54,576	(54,576)
Miscellaneous Expense	5	500	(495)
Postage	184	600	(416)
Professional Fees (Legal and Accounting)	3,600	9,000	(5,400)
Publications/Professional Dues	1,139	1,000	139
Professional Development	465	1,000	(535)
Tech and Website Management	2,271	4,500	(2,229)
Telephone	573	1,600	(1,027)
Special Project	0	4,000	(4,000)
Total Expenditures	123,974	213,991	(90,017)
Excess/(Deficiency) of Revenues Under Expenditures	\$ 11,632	(84,561)	(96,193)

See Accompanying Independent Auditor's Report.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

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, 2020, 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
Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System

For the Last Six Fiscal Years*
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
OCEDC's Proportion of the Net Pension Liability	(0.0010084)%	(0.0008478)%	(0.0008134)%	(0.0008043)%	(0.0008043)%	(0.0008262)%
OCEDC's Proportionate Share of the Net Pension Liability	\$ 58,394	53,650	54,185	50,617	39,460	32,768
OCEDC's Covered Payroll	79,259	63,719	60,719	57,718	54,719	77,171
OCEDC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	73.67%	84.20%	89.24%	87.70%	72.11%	42.46%
IPERS Net Position as a Percentage of the Total Pension Liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

See Accompanying Independent Auditor's Report.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Required Supplementary Information

Schedule of Contributions

Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily Required Contribution	\$ 7,482	7,245	5,691	5,422	5,154	4,886	4,828	6,663	6,248	5,085
Contributions in Relation to the Statutorily Required Contribution	(7,482)	(7,245)	(5,691)	(5,422)	(5,154)	(4,886)	(4,828)	(6,663)	(6,248)	(5,085)
Contribution Deficiency (Excess)	0	0	0	0	0	0	0	0	0	0
County Covered Employee Payroll	78,835	78,604	63,719	60,719	57,718	54,719	77,171	76,846	77,427	73,289
Contributions as a Percentage of Covered Employee Payroll	9.49%	9.22%	8.93%	8.93%	8.93%	8.93%	6.26%	8.67%	8.07%	6.94%

See Accompanying Independent Auditor's Report.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION
Required Supplementary Information

Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2020

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Change mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION
Required Supplementary Information

**Schedule of Changes in the Osceola County Economic Development Commission's
Total OPEB Liability, Related Ratios and Notes**
For the Last Three Years

	2020	2019	2018
Service Cost	\$ 433	\$ 659	\$ 745
Interest	280	484	384
Differences Between Expected and Actual Experiences	(786)	(4,942)	286
Changes in Assumptions	410	201	(385)
Benefit Payments	0	(1,397)	(697)
Net Change in Total OPEB Liability	337	(4,995)	333
Total OPEB Liability Beginning of Year	5,676	10,671	10,338
Total OPEB Liability End of Year	<u>\$ 6,013</u>	<u>\$ 5,676</u>	<u>\$ 10,671</u>
Covered-Employee Payroll	\$ 79,259	\$ 76,744	\$ 63,719
Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.58%	7.4%	16.7%

Notes to Schedule of Changes in the Osceola County Economic Development Commission's Total OPEB Liability and Related Ratios

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Year Ended June 30, 2020	2.66%
Year Ended June 30, 2019	3.51%
Year Ended June 30, 2018	3.87%
Year Ended June 30, 2017	3.58%

See Accompanying Independent Auditor's Report.

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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
Statement Performed in Accordance with
Government Auditing Standards
Osceola County Economic
Development Commission



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 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, 2020, 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, 2021.

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 described in Part I of the accompanying Schedule of Findings as items I-A-20 and I-B-20 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 found no items which resulted in a significant deficiency.

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, 2020 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 results 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, Austin & Company PC
Certified Public Accountants

June 30, 2021

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Schedule of Findings

Osceola County Economic
Development Commission

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Schedule of Findings

Schedule of Findings

Year Ended June 30, 2020

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the OCEDC's financial statements.

Condition – Incompatible duties, from a control standpoint, are being performed by the same employee over financial transactions, recordkeeping, reconciling functions and financial reporting.

Cause – The OCEDC has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the OCEDC's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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 put into place processes to maximize the segregation of duties as much as possible, and ensure that the OCEDC board members provide the necessary oversight of financial transactions and reports.

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

I-B-20 Disbursement Procedures

Criteria – An effective internal control system provides for internal controls related to ensuring disbursements are properly and adequately reviewed and approved. Listing of claims paid should be provided to the Board of Directors for approval.

Condition – We noted several instances where a check written from the General Fund account was not included in the listing of claims provided for review and approval by the Board.

Cause – Lack of policies and procedures resulted in employees not detecting the exclusion of a claim in listing for Board approval.

Effect – Lack of policies and procedures could result in errors not noted in the normal course of employees performing their assigned functions, or unnecessary costs to the OCEDC.

Recommendation – The OCEDC should implement procedures to ensure all claims are properly approved by the Board.

Response – We will make sure that all claims, including ACH payments, are properly included in the listing of claims provided for OCEDC Board approval in our minutes.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

Schedule of Findings

PART II: Other Findings Related to Required Statutory Reporting:

II-A-20 Certified Budget – The OCEDC prepares a budget for the General Fund only. Expenditures during the year ended June 30, 2020 did not exceed the amount budgeted in total for the General Fund.

II-B-20 Travel Expense – No expenditures of OCEDC money for travel expenses of spouses of OCEDC officials or employees were noted.

II-C-20 Business Transactions – No business transactions between the OCEDC and OCEDC officials or employees were noted.

II-D-20 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-E-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the OCEDC's investment policy were noted. However, during our review of the monthly bank balances, we noted that during several months of the year the balance in one bank exceeded the depository resolution limit of \$300,000 per bank.

Recommendation – The OCEDC has not increased its depository resolution since 2016. The OCEDC should implement procedures to ensure all bank balances are maintained below the depository resolution limit or update the depository resolution to increase the bank limits to be sufficient to cover the expected balances in all banks.

Response – We will implement procedures to ensure we are in compliance with our Depository Resolution.

Conclusion – Response accepted.

II-F-20 Loan Program – The loan agreements entered into with various companies include provisions in which the companies are required to provide financial data (ie financial reports, tax returns) periodically to the OCEDC. During our testing, we noted several instances where the required financial data was not timely provided and there was no approval by the board granting an exception to the original agreements.

Recommendation – The OCEDC should implement procedures to ensure that all provisions imposed upon recipients of loan programs are reviewed and being met each year.

Response – We will put into place a new process for the OCEDC board to review all loans on an annual basis, and review our processes for those not in compliance.

Conclusion – Response accepted.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION
Staff

Staff

This Audit was Performed By:

Carmen Austin, CPA, Senior Auditor
Kayla Reck, Assistant Auditor

De Noble, Austin & Company PC
Certified Public Accountants