



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

June 8, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Cedar County Economic Development Commission for the year ended June 30, 2010.

The Commission's receipts totaled \$124,854 for the year ended June 30, 2010, an 11% increase over the prior year.

For the year ended June 30, 2010, receipts included \$110,283 in membership dues, \$11,300 in investor pledge contributions and \$2,250 in loan repayments.

Disbursements for the year ended June 30, 2010 totaled \$115,989, a 1% increase over the prior year, and included \$92,410 for salaries and benefits, \$11,518 for marketing and promotion and \$4,800 for rent and utilities.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1014-2355-B00F.pdf>.

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CEDAR COUNTY ECONOMIC DEVELOPMENT COMMISSION

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENT AND
SCHEDULE OF FINDINGS**

JUNE 30, 2010

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Cedar County Economic Development Commission

Officials

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|------------------------------|--------------|------------------------|
| (Before January 2010) | | |
| Sandy Hatfield | Board Chair | City of West Branch |
| Jon Bell | Board Member | Cedar County |
| Dennis Boedeker | Board Member | Cedar County |
| Bonnie Hundwardsen | Board Member | City of Clarence |
| Richard Harmsen | Board Member | City of Durant |
| John Bardsley | Board Member | City of Lisbon |
| Dave Furry | Board Member | City of Mechanicsville |
| Dean Boesenberg | Board Member | City of Stanwood |
| Don McGlaughlin | Board Member | City of Tipton |
| Steve Lacina | Director | |
| (After January 2010) | | |
| Dennis Boedeker | Board Chair | Cedar County |
| Jon Bell | Board Member | Cedar County |
| Pat Hasenbank | Board Member | City of Clarence |
| Chris Gilroy | Board Member | City of Durant |
| John Bardsley | Board Member | City of Lisbon |
| Boyd Stine | Board Member | City of Mechanicsville |
| Dean Boesenberg | Board Member | City of Stanwood |
| Don McGlaughlin | Board Member | City of Tipton |
| Don Kessler | Board Member | City of West Branch |
| Steve Lacina | Director | (Resigned April 2010) |

Cedar County Economic Development Commission



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Independent Auditor's Report

To the Board of Directors of the
Cedar County Economic Development Commission:

We have audited the accompanying financial statement of the Cedar County Economic Development Commission as of and for the year ended June 30, 2010. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

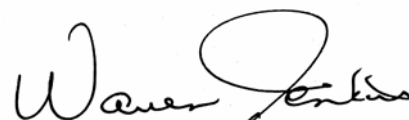
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Cedar County Economic Development Commission as of June 30, 2010 and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 16, 2011 on our consideration of the Cedar County Economic Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 and should be considered in assessing the results of our audit.

The Cedar County Economic Development Commission has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statement.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 16, 2011

Cedar County Economic Development Commission

Financial Statement

Exhibit A

Cedar County Economic Development Commission

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2010

| | |
|--|------------------|
| Operating receipts: | |
| Membership dues | \$ 110,283 |
| Investor pledge contributions | 11,300 |
| Miscellaneous | 665 |
| Total operating receipts | <u>122,248</u> |
| Operating disbursements: | |
| Salaries and benefits | 92,410 |
| Marketing and promotion | 11,518 |
| Rent and utilities | 4,800 |
| Communication | 4,583 |
| Miscellaneous | 2,678 |
| Total operating disbursements | <u>115,989</u> |
| Excess of operating receipts over operating disbursements | <u>6,259</u> |
| Non-operating receipts: | |
| Loan repayments | 2,250 |
| Interest on investments | 356 |
| Total non-operating receipts | <u>2,606</u> |
| Change in cash basis net assets | 8,865 |
| Cash basis net assets beginning of year | <u>16,771</u> |
| Cash basis net assets end of year | <u>\$ 25,636</u> |
| Cash Basis Fund Balances | |
| Restricted for marketing | \$ 11,629 |
| Unrestricted | 14,007 |
| Total cash basis net assets | <u>\$ 25,636</u> |

See notes to financial statement.

Cedar County Economic Development Commission

Notes to Financial Statement

June 30, 2010

(1) Summary of Significant Accounting Policies

The Cedar County Economic Development Commission was formed in 1989 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Commission is to coordinate resources to encourage and promote the establishment, development and retention of industrial manufacturing, commercial and retail interests in the Cedar County area. Current members include Cedar County and the cities of Clarence, Durant, Mechanicsville, Lisbon, Stanwood, Tipton and West Branch.

The Commission is comprised of two representatives from Cedar County and one representative from each participating city. Each representative has one vote and each representative may have an alternate who can vote in the member's absence.

A. Reporting Entity

For financial reporting purposes, the Cedar County Economic Development Commission has included all funds. The Commission 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 Commission are such that exclusion would cause the Commission's financial statement 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 Commission 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 Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

D. Net Assets

Funds set aside for marketing are classified as restricted.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

(3) Pension and Retirement Benefits (IPERS)

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

For the year ended June 30, 2010, plan members were required to contribute 4.30% and the Commission was required to contribute 6.65%, of annual covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the year ended June 30, 2010 was \$3,989.

(4) Compensated Absences

Commission employees accumulate earned but unused vacation for subsequent use or for payment upon termination, retirement or death. The accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation payable to employees, based on rates of pay in effect at June 30, 2010, is \$700.

(5) Risk Management

The Commission 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. These risks are covered by commercial insurance purchased from independent third parties. The Commission assumed liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

(6) Loan to City of Clarence

In prior years, the Commission loaned the City of Clarence a total of \$35,000, interest free, for economic development activity. The loan requires annual payments totaling \$2,250 and is scheduled to be repaid by July 1, 2017. At June 30, 2010, the balance is \$16,500.

Cedar 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 a Financial Statement Performed in Accordance with
Government Auditing Standards**

Cedar County Economic Development Commission



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Independent Auditor's Report on Internal Control
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Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Board of Directors of the
Cedar County Economic Development Commission:

We have audited the accompanying financial statement of the Cedar County Economic Development Commission as of and for the year ended June 30, 2010, and have issued our report thereon dated May 16, 2011. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cedar County Economic Development Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cedar County Economic Development Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Cedar County Economic Development Commission's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) 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 the accompanying Schedule of Findings as items (C) through (E) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cedar County Economic Development Commission's financial statement is 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 instance of noncompliance or other matters that are described in the accompanying Schedule of Findings.

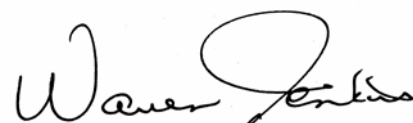
Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 16, 2011

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2010

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the Commission, one individual generally has control over each of the following areas:

- (1) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (2) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (3) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Cash – handling, reconciling and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. The Commission should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – With only two people in the office, it is the office manager's responsibility to do receipts and disbursements. There is generally no cash to deal with.

Conclusion – Response acknowledged. The Commission should utilize available personnel, including Commission Members, to provide additional control through review of financial transactions and reports.

- (B) Bank Reconciliations – Book balances were not reconciled to the bank balances monthly. A list of outstanding checks was not always prepared and retained for each month.

Recommendation – To improve financial accountability and control, book and bank balances should be reconciled monthly. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained.

Response – This will be corrected as advised.

Conclusion – Response accepted.

- (C) Credit Card – The Commission has a credit card for use by the Director while on Commission business. The Commission has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card charges.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2010

Recommendation – The Commission should adopt a formal written policy regulating the use of the Commission’s credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purpose(s), as well as the types of supporting documentation required to substantiate charges.

Response – We will adopt a policy which addresses the issue of credit card use.

Conclusion – Response accepted.

- (D) Employee Vacation Benefit – According to the employment agreement with the Director, the Director receives 15 days of vacation each year. However, the agreement does not state whether the Director is allowed to carry over vacation from year to year. The Director resigned during the year and was paid \$18,480 for 92 days of accumulated vacation. However, supporting documentation for the 92 days of accumulated vacation was not retained.

Recommendation – The Commission should review the Director’s employment contract to clarify whether the Director is allowed to carry over vacation from year to year and the maximum vacation balance the Director will be allowed to maintain.

Response – The Commission will review the contract and ensure the maximum carryover is clearly stated as well the method of documentation.

Conclusion – Response accepted.

- (E) Timely Deposits – Receipts were not always deposited timely.

Recommendation – To safeguard cash and increase funds available for investment, receipts should be deposited intact timely.

Response – All deposits will be made timely upon receipt.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the Commission did not include a schedule of bills allowed in the proof of publication and, for one meeting, the publication was not made within 20 days as required by Chapter 28E.6 of the Code of Iowa. In addition, the Commission minutes are not signed to authenticate the record.

Additionally, the Commission did not publish the annual salaries of employees as required by Chapter 28E.6 of the Code of Iowa.

Recommendation – The minutes publication should include a schedule of bills allowed and be published as required by Chapter 28E.6 of the Code of Iowa. Also, the Commission minutes should be signed to authenticate the record.

Additionally, the Commission should publish annual salaries to comply with Chapter 28E.6 of the Code of Iowa.

Response – A signature line has been added for the Commission Chair to sign the minutes. Another needs to be added for the preparer of the minutes. The minutes will include a schedule of bills as well as having the employee's salary listed at the end of every calendar year.

Conclusion – Response accepted.

- (2) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Deposits and Investments – A resolution naming official depositories has not been adopted by the Commission as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The Commission should adopt a depository resolution which establishes maximum amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Response – The Commission will adopt a depository resolution.

Conclusion – Response accepted.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2010

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

| <u>Paid to</u> | <u>Purpose</u> | <u>Amount</u> |
|-----------------------|-------------------|---------------|
| Daisy’s on the Square | Center piece | \$ 37 |
| Daisy’s on the Square | Fresh arrangement | 82 |

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

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

Response – The Commission will use a better description for such items and Commission members will reimburse the office for expenses such as funeral flowers.

Conclusion – Response acknowledged. The commission should establish written policies and procedures, including the requirements for proper documentation and reimbursement by Commission Members, if applicable.

- (5) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Commission to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Commission retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The Commission should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The Commission will take initiative to get the backs of checks whether it be in paper form or utilizing online banking.

Conclusion – Response accepted.

Cedar County Economic Development Commission

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager

Daniel Grady, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State