

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 30, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Cedar County Economic Development Commission for the year ended June 30, 2014.

The Commission's receipts totaled \$124,128 for the year ended June 30, 2014, a 14.0% increase over the prior year, and included \$119,863 in membership dues, \$2,250 from a loan repayment and \$2,015 from other receipts.

Disbursements for the year ended June 30, 2014 totaled \$94,092, a 37.3 % increase over the prior year, and included \$79,759 for salaries and benefits and \$5,054 for marketing and promotion. The significant increase in disbursements is due to paying the salary of the Executive Director for the entire fiscal year.

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/1414-2355-B00F.pdf>.

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CEDAR COUNTY ECONOMIC DEVELOPMENT COMMISSION

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

JUNE 30, 2014

Table of Contents

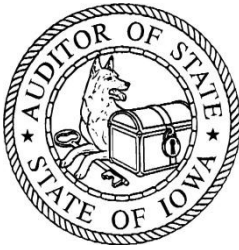
| | <u>Page</u> |
|---|----------------|
| Officials | 3 |
| Independent Auditor's Report | 5-6 |
| Financial Statement: | <u>Exhibit</u> |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balance | A 8 |
| Notes to Financial Statement | 9-11 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with <u>Government Auditing Standards</u> | 13-14 |
| Schedule of Findings | 15-16 |
| Staff | 17 |

Cedar County Economic Development Commission

Officials

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|------------------------------|--------------------|------------------------|
| (Before January 2014) | | |
| Pam Spear | Board Chair | City of Tipton |
| Greg Wagner | Vice Chair | City of Stanwood |
| Doug Beland | Board Member | City of Durant |
| Jon Bell | Board Member | Cedar County |
| Brad Gaul | Board Member | Cedar County |
| Pat Hasenbank | Board Member | City of Clarence |
| Charlene Meyers | Board Member | City of Bennett |
| Boyd Stine | Board Member | City of Mechanicsville |
| Joe Wenndt | Board Member | City of Lowden |
| Shelise Parsley | Executive Director | |
| (After January 2014) | | |
| Pam Spear | Board Chair | City of Tipton |
| Greg Wagner | Vice Chair | City of Stanwood |
| Doug Beland | Board Member | City of Durant |
| Jon Bell | Board Member | Cedar County |
| Betty Ellerhoff | Board Member | Cedar County |
| Pat Hasenbank | Board Member | City of Clarence |
| Orville Randolph | Board Member | City of Bennett |
| Adam Sandberg | Board Member | City of Mechanicsville |
| Joe Wenndt | Board Member | City of Lowden |
| Shelise Parsley | Executive Director | (Resigned June 2014) |

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:

Report on the Financial Statement

We have audited the accompanying financial statement of the Cedar County Economic Development Commission as of and for the year ended June 30, 2014, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinion

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, 2014, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.


Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2015 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 in considering the Cedar County Economic Development Commission's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 19, 2015

Financial Statement

Exhibit A

Cedar County Economic Development Commission

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2014

| | |
|--|-------------------|
| Operating receipts: | |
| Membership dues | \$ 119,863 |
| Miscellaneous | 650 |
| Total operating receipts | <u>120,513</u> |
| Operating disbursements: | |
| Salaries and benefits | 79,759 |
| Marketing and promotion | 5,054 |
| Communication | 2,463 |
| Professional fees | 3,008 |
| Miscellaneous | 3,808 |
| Total operating disbursements | <u>94,092</u> |
| Excess of operating receipts over operating disbursements | <u>26,421</u> |
| Non-operating receipts: | |
| Loan repayment | 2,250 |
| Grant | 550 |
| Interest on investments | 815 |
| Total non-operating receipts | <u>3,615</u> |
| Change in cash balance | 30,036 |
| Cash balance beginning of year | <u>120,646</u> |
| Cash balance end of year | <u>\$ 150,682</u> |
| Cash Basis Fund Balance | |
| Restricted for marketing | \$ 3,756 |
| Unrestricted | 146,926 |
| Total cash basis fund balance | <u>\$ 150,682</u> |

See notes to financial statement.

Cedar County Economic Development Commission

Notes to Financial Statement

June 30, 2014

(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 Bennett, Clarence, Durant, Lowden, Mechanicsville, Stanwood and Tipton.

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. Cash Basis Fund Balance

Funds set aside for marketing are classified as restricted.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2014 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.

Plan members are required to contribute 5.95% of their annual salary and the Commission is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,737, \$1,919 and \$1,951, respectively, equal to the required contributions for each year.

(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, 2014, is \$200.

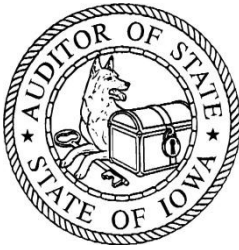
(5) Risk Management

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 the 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. During the year ended June 30, 2014, the Commission received a repayment of \$2,250 and the balance due to the Commission at June 30, 2014 totaled \$7,500.

**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**



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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 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 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 statement of the Cedar County Economic Development Commission as of and for the year ended June 30, 2014, and the related Notes to Financial Statement, and have issued our report thereon dated March 19, 2015. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Cedar County Economic Development Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Cedar County Economic Development Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cedar County Economic Development Commission'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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 Cedar County Economic Development Commission's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2014 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 Response to the Finding


The Cedar County Economic Development Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Cedar County Economic Development Commission's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 19, 2015

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2014

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

(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 employees. The Commission should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Commission Board Members. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – We will use Board Members to help segregate duties to our abilities.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2014

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.
- (2) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.
- (4) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

Cedar County Economic Development Commission

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Melissa E. Janssen, Staff 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