



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 15, 2021

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the Cedar County Economic Development Commission for the year ended June 30, 2020.

FINANCIAL HIGHLIGHTS:

The Commission's receipts totaled \$105,854 for the year ended June 30, 2020 and included \$103,672 in membership dues and \$2,182 from other receipts.

Disbursements for the year ended June 30, 2020 totaled \$74,643 and included \$59,735 for salaries and benefits, \$6,030 for professional fees and \$2,026 for communication.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 14 through 18 of this report. The findings address issues such as lack of segregation of duties, the lack of a complete bank reconciliation, the use of a debit card, the lack of proper publication of minutes and non-participation in IPERS. Sand provided the Commission with recommendations to address each of these findings.

Two of the six findings discussed above are repeated from the audit report for the year ended June 30, 2018. The Board Members have a fiduciary responsibility to provide oversight of the Commission's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

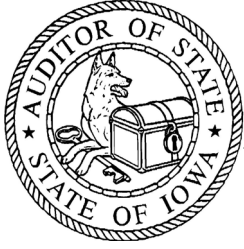
A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**CEDAR COUNTY ECONOMIC DEVELOPMENT COMMISSION
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENT AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2020

Cedar County Economic Development Commission



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Rob Sand
Auditor of State

February 17, 2021

Officials of the Cedar County Economic Development Commission
Tipton, Iowa

Dear Commission Members:

I am pleased to submit to you the financial and compliance audit report for the Cedar County Economic Development Commission for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa, and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Cedar County Economic Development Commission throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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Cedar County Economic Development Commission

Officials

Jon Bell	Board Chair	Cedar County
Jeff Kauffman	Board Member	Cedar County
Jen VanOort	Board Member	City of Clarence
Adam Sandberg	Board Member	City of Mechanicsville
David Furry (Resigned May 2020)	Board Member	City of Mechanicsville
Andrew Oberbreckling (Appointed Jun 2020)	Board Member	City of Mechanicsville
Ross Leeper	Board Member	City of Tipton
Rod Ness	Executive Director	



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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, 2020, 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

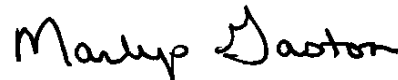
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Cedar County Economic Development Commission as of June 30, 2020, and the changes in its cash basis financial position for the year then ended in accordance with 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 February 17, 2021 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 solely 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

February 17, 2021

Cedar County Economic Development Commission

Basic Financial Statement

Cedar County Economic Development Commission

Cedar County Economic Development Commission

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

As of and for the year ended June 30, 2020

Operating receipts:	
Membership dues	<u>\$ 103,672</u>
Operating disbursements:	
Salaries and benefits	59,735
Marketing and promotion	1,067
Communication	2,026
Professional fees	6,030
Insurance	1,902
Miscellaneous	<u>3,883</u>
Total operating disbursements	<u>74,643</u>
Excess of operating receipts over operating disbursements	<u>29,029</u>
Non-operating receipts:	
Investor pledge contribution	1,000
Interest on investments	1,126
Settlements	<u>56</u>
Total non-operating receipts	<u>2,182</u>
Change in cash balance	31,211
Cash balance beginning of year	<u>251,744</u>
Cash balance end of year	<u>\$ 282,955</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 282,955</u>

See notes to financial statements.

Cedar County Economic Development Commission

Notes to Other Information – Pension Liability

Year ended June 30, 2020

(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, Mechanicsville, Stanwood, West Branch 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, organizations, agencies, boards, commissions and authorities. 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.

Cedar County Economic Development Commission

Notes to Other Information – Pension Liability

Year ended June 30, 2020

(2) Cash and Investments

The Commission'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 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. 72.

(3) 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.

(4) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including Cedar County Economic Development Commission, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Cedar County Economic Development Commission. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Cedar County Economic Development Commission's operations and finances.



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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, 2020, and the related Notes to Financial Statement, and have issued our report thereon dated February 17, 2021. 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, we identified deficiencies in internal control, described in the accompanying Schedule of Findings as items (A) through (C), we consider to be material weaknesses.

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 instances of non-compliance or other matters which 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, 2020 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.

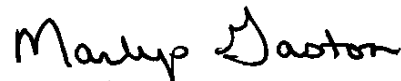
The Cedar County Economic Development Commission's Responses to the Findings

The Cedar County Economic Development Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Cedar County Economic Development Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statement 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 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.


Marlys K. Gaston, CPA
Deputy Auditor of State

February 17, 2021

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2020

Finding Related to the Financial Statement:

(A) 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 Cedar County Economic Development Commission's (CCEDCO) financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

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

Cause – CCEDCO 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 CCEDCO'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 – CCEDCO should review its control activities to obtain the maximum internal control possible under the circumstances and should utilize current personnel, including Commission Members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – We will utilize Commission Members review to establish and verify better internal controls for financials.

Conclusion – Response accepted.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2020

(B) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – The cash balances in each bank account's check register were reconciled to bank balances throughout the year. However, the Commission does not perform a comprehensive bank reconciliation of all bank accounts to the Commission's book balance. In addition, one bank reconciliation for June 30, 2020 did not include an outstanding check.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds. An accurate outstanding checks listing is not maintained.

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Commission should prepare comprehensive monthly bank reconciliations of the general ledger to all bank accounts. Variances between book and bank balances should be documented and investigated and resolved in a timely manner. In addition, the bank reconciliations should be reviewed by an independent person and review should be documented by the signature or initials of the reviewer and the date of review. The Commission should also maintain an accurate monthly outstanding checks listing.

Response – CCEDCO will prepare comprehensive monthly bank reconciliations of the general ledger to all bank accounts and document balances and resolve any discrepancies in a timely manner. Bank reconciliations will be reviewed by the Treasurer and documented by the signature and the date of review. The Commission will also maintain an accurate monthly outstanding checks listing.

Conclusion – Response accepted.

(C) Debit Card

Criteria – Internal controls over safeguarding assets constitutes a process, effected by an entity's governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – Cedar County Economic Development Commission has a debit card available for use by the Director. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2020

Cause – Officials have been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations

Recommendation – The Cedar County Economic Development Commission should prohibit the use of debit cards.

Response – Understanding the concern of debit card usage, the Commission will change to a credit card, with purchasing limits, to reduce risks.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- (1) 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.
- (2) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (4) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the minutes, including the schedule of bills allowed, were not published for one meeting and salaries were not published annually as required by Chapter 28E.6(3) of the Code of Iowa. In addition, the Commission only held five of the six meetings required by the Commission's bylaws.

Recommendation – The Commission should comply with Chapter 28E.6(3)(a) of the Code of Iowa and ensure Commission minutes, including the schedule of bills allowed and salaries, are published. The Commission should comply with its bylaws requiring a minimum of six meeting per year.

Response – The Commission will work to gain a better understanding of the Code of Iowa to help ensure we are in compliance. The Commission will review current by-laws and adhere to the meeting policy moving forward.

Conclusion – Response acknowledged. The Commission should comply with Chapter 28E.3 of the Code.

- (5) 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.
- (6) Budget – The Annual budget for the fiscal year ending June 30, 2020 was not adopted until July 9, 2019.

Recommendation – The Commission ensure the budget is adopted prior to the start of the fiscal year.

Response – The Commission's director will present the annual budget with a suitable timeline that allows review and approval before the fiscal year.

Conclusion – Response accepted.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2020

- (7) IPERS – IPERS membership is mandatory for employees of the Commission, except for those covered by another retirement system. The Commission’s employee is not covered under IPERS or a qualifying alternative retirement program as required by the Code of Iowa Chapter 97B.

Recommendation – The Commission should contact IPERS to resolve the matter.

Response – The Commission will contact IPERS and follow their guidance to correct issues and comply with requirements in the future.

Conclusion – Response accepted.

Cedar County Economic Development Commission

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Gwen D. Fangman, CPA, Manager
William J. Sallen, Staff Auditor