



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

September 12, 2023

Auditor of State Rob Sand today released an audit report on the Cedar County Economic Development Commission for the year ended June 30, 2022.

FINANCIAL HIGHLIGHTS:

The Commission's receipts totaled \$105,830 for the year ended June 30, 2022, a less than 1% decrease from the prior year. Disbursements for the year ended June 30, 2022 totaled \$78,168, a 25.3% decrease from the prior year. The significant decrease in disbursements is due primarily to payment to IPERS for contributions due for periods December 2018 to March 2021 made in fiscal year 2021.

AUDIT FINDINGS:

Sand reported seven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 26 through 29 of this report. The findings address issues such as lack of segregation of duties, the lack of a complete bank reconciliation, the lack of a depository resolution and Commission minutes not published timely. Sand provided the Commission with recommendations to address each of these findings.

Four of the seven findings discussed above are repeated from prior year. Commission 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 website at [Audit Reports – Auditor of State](#).

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

JUNE 30, 2022

Cedar County Economic Development Commission



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STATE OF IOWA

Rob Sand
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Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

August 15, 2023

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, 2022. 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 that reads "Rob Sand".

Rob Sand
Auditor of State

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Cedar County Economic Development Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Jon Bell	Board Chair	Cedar County
Jeff Kauffman	Board Member	Cedar County
Levi VanOort	Board Member	City of Clarence
Adam Sandberg	Board Member	City of Mechanicsville
Andrew Oberbreckling	Board Member	City of Mechanicsville
Mike Helms	Board Member	City of Tipton
Heather Jones (Appointed Sept 2021)	Board Member	City of Stanwood
Andrew Koefod (Appointed Jan 2022)	Board Member	City of West Branch
Rod Ness	Executive Director	

Cedar County Economic Development Commission



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Independent Auditor's Report

To the Members of the Cedar County Economic Development Commission:

Report on the Audit of the Financial Statement

Opinion

We have audited the accompanying financial statement of the Cedar County Economic Development Commission as of and for the year ended June 30, 2022 and the related Notes to Financial Statement.

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective cash basis financial position of the Cedar County Economic Development Commission as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Cedar County Economic Development Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statement which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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. In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cedar County Economic Development Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Cedar County Economic Development Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cedar County Economic Development Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

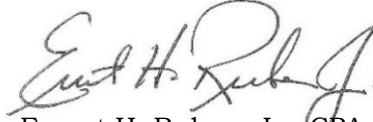
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions on pages 18 through 23 but does not include the basic financial statement and our auditor's report thereon. Our opinion on the basic financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2023 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 effectiveness of the Commission's 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 15, 2023

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, 2022

Operating receipts:	
Membership dues	<u>\$ 103,672</u>
Operating disbursements:	
Salaries and benefits	67,937
Marketing and promotion	409
Communication	2,667
Professional fees	3,000
Insurance	2,060
Miscellaneous	<u>2,095</u>
Total operating disbursements	<u>78,168</u>
Excess of operating receipts over operating disbursements	<u>25,504</u>
Non-operating receipts:	
Investor pledge contribution	1,000
Interest on investments	<u>1,158</u>
Total non-operating receipts	<u>2,158</u>
Change in cash balance	27,662
Cash balance beginning of year	<u>284,482</u>
Cash balance end of year	<u>\$ 312,144</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 312,144</u>

See notes to financial statements.

Cedar County Economic Development Commission

Notes to Financial Statement

Year ended June 30, 2022

(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, Mechanicsville, Tipton, Stanwood and West Branch.

The Commission is comprised of two representatives from Cedar County and at least one representative from each participating City and an additional representative appointed by the Board of Directors in accordance with the bylaws. 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.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2022 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) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Commission, except for those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the 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 the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 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 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Commission contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Commission's contributions to IPERS for the year ended June 30, 2022 totaled \$4,816.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the Commission reported a liability of \$829 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total plan pension liability used in its calculation of the overall plan net pension asset was determined by an actuarial valuation as of that date. The Commission's proportion of the overall plan net pension asset was based on the Commission's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the Commission's proportion of the overall plan net pension assets was (0.000240)%.

For the year ended June 30, 2022, the Commission's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(2,883), \$5,456 and \$34,956, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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, 2021 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 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%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

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 contributions from the Commission 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 Commission's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the Commission's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Commission's proportionate share of the net pension liability	\$ 29,345	829	(23,069)

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

Required Supplementary Information

Cedar County Economic Development Commission

Schedule of the Commission's Proportionate Share of the Net Pension Liability (Asset)

Iowa Public Employees' Retirement System
Last Eight Fiscal Years*

Other Information

	2022	2021	2020	2019
Commission's proportion of the net pension liability/asset	-0.000240% ***	**	**	**
Commission's proportionate share of the net pension liability (asset)	\$ 829	**	**	-
Commission's covered payroll	\$ 48,000	48,000	48,000	53,398
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.73%	**	**	**
Plan fiduciary net position as a percentage of the total pension liability	100.81%	**	**	**

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

** Information is not available for 2019-2021. The commission did not contribute to IPERS during fiscal years 2018 through 2020.

*** Overall plan pension net asset.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.000298%	0.000324%	0.000330%	0.0000324%
19,824	20,407	16,322	12,860
22,217	23,270	22,632	19,451
89.23%	87.70%	72.12%	66.11%
82.21%	81.82%	85.19%	87.61%

Cedar County Economic Development Commission

Schedule of the Commission's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years*

Other Information

	<u>2022</u>	<u>2021</u>	<u>2020 **</u>	<u>2019**</u>
Statutorily required contribution	\$ 4,816	4,532	4,531	4,531
Contributions in relation to the statutorily required contribution	<u>(4,816)</u>	<u>(4,532)</u>	<u>(4,531)</u>	<u>(4,532)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Commission's covered payroll	\$ 51,019	48,000	48,000	48,000
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%

** Contributions for covered wages between December 2017 and December 2020 were made in January 2021.

See accompanying independent auditor's report.

2018**	2017	2016	2015	2014	2013
4,768	1,984	2,078	2,021	1,737	1,919
(4,768)	(1,984)	(2,078)	(2,021)	(1,737)	(1,919)
-	-	-	-	-	-
53,398	22,217	23,270	22,632	19,451	22,134
8.93%	8.93%	8.93%	8.93%	8.93%	8.67%

Cedar County Economic Development Commission

Cedar County Economic Development Commission

Notes to Required Information – Pension Liability

Year ended June 30, 2022

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:

- Changed 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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.



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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 Members of the Cedar County Economic Development Commission:

We have audited in accordance with auditing standards generally accepted in the United States of America 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 Cedar County Economic Development Commission, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statement, and have issued our report thereon dated August 15, 2023. Our report expressed an unmodified opinion on the financial statement which was prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Cedar County Economic Development Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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 Cedar County Economic Development Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 certain deficiencies in internal control that 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 that a material misstatement of the 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 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-003 and 2022-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar County Economic Development Commission's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 noncompliance or other matters which 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, 2022 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.

Cedar County Economic Development Commission's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Cedar County Economic Development Commission's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Cedar County Economic Development Commission's responses were not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

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 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 15, 2023

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2022

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

2022-001 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 statement.

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, 2022

2022-002 Bank Reconciliation

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.

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.

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 date of review.

Response – The Cedar County Economic Development Commission will work to prepare comprehensive monthly bank reconciliation of the general ledger to all bank accounts. If variances are shown between book and bank balances, they will be documented and resolved to the satisfaction of the board. In addition, the bank reconciliations will be reviewed by an independent person and review will be documented by the signature or date of the reviewer and the date of the review.

Conclusion – Response accepted.

2022-003 Disbursements

Criteria – Disbursements should be properly supported by invoice or other supporting documentation. Supporting documentation should be canceled to prevent reuse.

Condition – Of twelve disbursements tested, two disbursements to the Director, totaling \$261, were not properly supported by invoice or other documentation. In addition, for nine of twelve disbursements tested, the supporting documentation was not canceled to prevent reuse.

Cause – The Commission’s policies and procedures do not require proper documentation be maintained for disbursements or invoices to be cancelled upon payment.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2022

Effect – Lack of supporting documentation for all disbursements could result in unauthorized and unsupported transactions and the opportunity for misappropriation. Lack of cancellation could lead to invoices being paid more than once.

Recommendation – The Commission should maintain support for all disbursements in the future. Supporting documentation should be canceled to prevent reuse.

Response – We will work to make sure documentation for disbursements is maintained moving forward. The Cedar County Economic Development Commission will work with the new bookkeeper to make sure disbursement documentation is marked after being paid or cancelled.

Conclusion – Response accepted.

2022-004

Payroll Rates

Criteria – An effective internal control system provides for controls relating to payroll, including proper approval of employee salaries.

Condition – The salary increase for the Director was documented and approved as a percentage instead of as an actual approved pay rate.

Cause – The Commission has not implemented procedures to ensure the Commission minutes includes the actual pay rate and not just a percentage increase.

Effect – Not documenting the approved salary provides an opportunity for errors in the actual approved salary which could result in unauthorized, unapproved or incorrect salary increases.

Recommendation – Procedures should be established to ensure the Commission documents the actual salary to be paid in the Commission minutes.

Response – As recommended, the Commission will establish procedures to ensure the Commission documents actual salary to be paid in the Commission minutes.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Cedar County Economic Development Commission

Schedule of Findings

Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 did not exceed the amounts budgeted.

2022-B Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in any Attorney General's Opinion dated April 25, 1979 were noted.

2022-C Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.

2022-D Restricted Donor Activity – No transactions were noted between the Commission, Commission officials, Commission employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2022-E Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the minutes for four of six Commission proceedings were not published within 20 days of meeting adjournment as required by Chapter 28E.6(3)(a) of the Code of Iowa.

Recommendation – The Commission should comply with Chapter 28E.6(3)(a) of the Code of Iowa and ensure Commission minutes are published as required.

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

Conclusion – Response accepted.

2022-F 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, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

Response – The Commission passed a depository resolution in FY23.

Conclusion – Response accepted.

Cedar County Economic Development Commission

Staff

This audit was performed by:

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