



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

July 8, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Tiffin, Iowa.

The City's receipts totaled \$9,147,878 for the year ended June 30, 2013. The receipts included \$789,586 in property tax, \$744,133 from tax increment financing, \$188,470 from local option sales tax, \$938,713 from charges for service, \$194,851 from operating grants, contributions and restricted interest, \$52,900 from capital grants, contributions and restricted interest, \$46,232 from unrestricted interest on investments, \$6,019,792 of bond proceeds and \$173,201 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$6,057,647, and included \$2,398,908 for capital projects, \$1,859,290 for debt service and \$488,848 for general government. Also, disbursements for business type activities totaled \$634,211.

The significant increase in receipts and disbursements is due primarily to issuing general obligation bonds to refund existing debt to take advantage of lower interest rates and to finance capital improvements.

A copy of the audit report is available for review in the City Administrator/Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1321-0490-B00F.pdf>.

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CITY OF TIFFIN

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2013

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		8-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-26
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		28-29
Notes to Other Information – Budgetary Reporting		30
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	33
Schedule of Indebtedness	2	34-35
Bond Maturities	3	36
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		37-38
Schedule of Findings		39-44
Staff		45

City of Tiffin

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Berner	Mayor	Jan 2014
James Bartels	Council Member	Jan 2014
Joann Kahler	Council Member	Jan 2014
Royce Phillips	Council Member	Jan 2014
Peggy Knowling Upton	Council Member	Jan 2016
Michael Ryan	Council Member	Jan 2016
Michon Jackson	City Administrator/Clerk	Indefinite
Robert Michael	Attorney	Annual Appointment

City of Tiffin



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tiffin, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all years prior. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tiffin as of June 30, 2013, and the respective 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, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tiffin's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the Basis for Qualified Opinions paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 12 and 28 through 30, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2014 on our consideration of the City of Tiffin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Tiffin's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tiffin provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2013 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities increased \$2,859,974, due primarily to issuing general obligation bonds.
- The cash basis net position of the City's business type activities increased \$230,257, mainly due to increased water and sewer receipts and water recoupment fees.
- The City's total cash basis net position increased 84.0%, or \$3,090,231, from June 30, 2012 to June 30, 2013, due primarily to the issuance of general obligation bonds.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the City sewer system and recycling operations. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and recycling operations. The Water and Sewer Funds are considered to be major funds of the City.

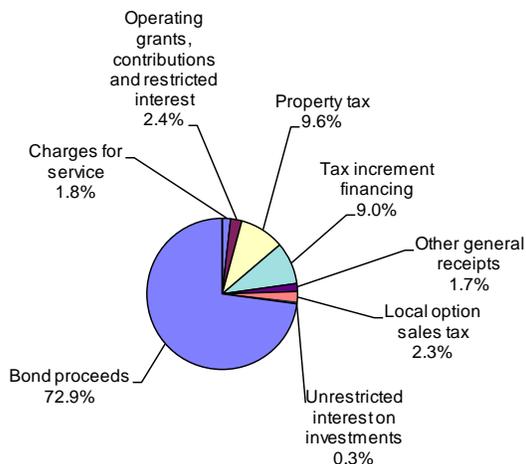
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

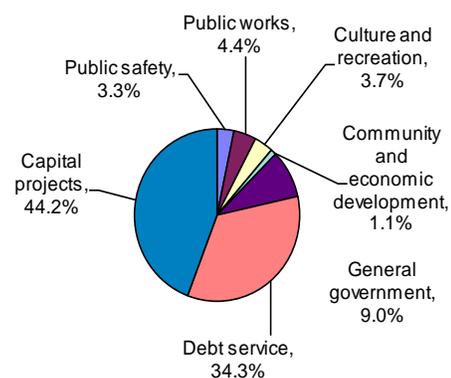
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$2,373,736 to \$5,233,710. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30, 2013
Receipts:	
Program receipts:	
Charges for service	\$ 144,408
Operating grants, contributions and restricted interest	194,851
General receipts:	
Property tax	789,586
Tax increment financing	744,133
Local option sales tax	188,470
Unrestricted interest on investments	28,969
Bond proceeds	6,019,792
Other general receipts	173,201
Total receipts	<u>8,283,410</u>
Disbursements:	
Public safety	177,587
Public works	240,313
Culture and recreation	198,547
Community and economic development	59,943
General government	488,848
Debt service	1,859,290
Capital projects	2,398,908
Total disbursements	<u>5,423,436</u>
Change in cash basis net position	2,859,974
Cash basis net position beginning of year	<u>2,373,736</u>
Cash basis net position end of year	<u>\$ 5,233,710</u>

Receipts by Source



Disbursements by Function



INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tiffin completed the year, its governmental funds reported a combined fund balance of \$5,233,710, an increase of \$2,373,736 above last year's total of \$2,360,991. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$95,579 from the prior year to a deficit balance of \$60,393.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$1,992,216 to \$172,204. The decrease was due to a significant increase in projects financed by tax increment financing in fiscal year 2013.
- The Debt Service Fund cash balance decreased \$11,089 to \$38,211.
- The Capital Projects Fund cash balance increased \$4,735,266. The increase was due to issuing general obligation bonds to carry out capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

<u>Changes in Cash Basis Net Position of Business Type Activities</u>	
	<u>Year ended June 30, 2013</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 455,517
Sewer	288,570
Recycling	50,218
Capital grants, contributions and restricted interest	52,900
General receipts:	
Unrestricted interest on investments	17,263
Total receipts	<u>864,468</u>
Disbursements:	
Water	319,053
Sewer	270,045
Recycling	45,113
Total disbursements	<u>634,211</u>
Change in cash basis net position	230,257
Cash basis net position beginning of year	<u>1,313,553</u>
Cash basis net position end of year	<u>\$ 1,543,810</u>

- The Enterprise, Water Fund cash balance increased \$198,407 to \$1,023,108 during the fiscal year, primarily from charges for service exceeding the cost to operate the system.
- The Enterprise, Sewer Fund cash balance increased \$26,745 to \$501,803 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 22, 2013 and resulted in an increase in budgeted operating disbursements in various City departments, as well as an increase in budgeted capital projects.

The City's receipts were \$318,046 less than budgeted, primarily due to lower than anticipated intergovernmental receipts.

Actual disbursements for the public safety, public works, community and economic development, capital projects, and business-type activities were \$16,213, \$21,077, \$73,815, \$1,845,603 and \$39,518, respectively, less than budgeted. This was primarily due to the City not completing multiple planned capital projects.

Even with the budget amendment, the City exceeded the amounts budgeted in the culture and recreation, general government and debt service functions by \$597, \$217,508 and \$130,918, respectively, for the year ended June 30, 2013.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$6,098,866 of bonds and other long-term debt outstanding, compared to \$1,834,116 at June 30, 2012.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation bonds	\$ 5,650,000	1,275,000
Revenue bonds	397,000	442,000
Lease purchase agreements	33,048	89,921
Bank loan	18,818	27,195
Total	\$ 6,098,866	1,834,116

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation bonds of \$5,650,000, lease purchase agreements of \$33,048 and bank loan of \$18,818, a total of \$5,701,866, is below the City's constitutional debt limit of approximately \$8.0 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Tiffin's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities.

The budget for the capital projects function is \$5,097,473 for fiscal year 2014 to complete multiple projects.

The budget for the business type activities function is \$1,199,417 for fiscal year 2014 versus a final amended amount of \$673,729 in fiscal year 2013 due to projects to expand the infrastructure.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$4,600,000 by the close of fiscal year 2014.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michon Jackson, City Administrator/Clerk, 800 Railroad Street, Tiffin, IA 52340.

Basic Financial Statements

City of Tiffin

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 177,587	30,283	4,954	-
Public works	240,313	17,400	186,456	-
Culture and recreation	198,547	20,957	-	-
Community and economic development	59,943	-	-	-
General government	488,848	75,768	-	-
Debt service	1,859,290	-	-	-
Capital projects	2,398,908	-	3,441	-
Total governmental activities	5,423,436	144,408	194,851	-
Business type activities:				
Water	319,053	455,517	-	52,900
Sewer	270,045	288,570	-	-
Recycling	45,113	50,218	-	-
Total business type activities	634,211	794,305	-	52,900
Total	\$ 6,057,647	938,713	194,851	52,900
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds, net of \$11,292 premium and \$91,500 discount				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Urban renewal purposes				
Capital projects				
Debt service				
Capital improvements				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(142,350)	-	(142,350)
(36,457)	-	(36,457)
(177,590)	-	(177,590)
(59,943)	-	(59,943)
(413,080)	-	(413,080)
(1,859,290)	-	(1,859,290)
(2,395,467)	-	(2,395,467)
(5,084,177)	-	(5,084,177)
-	189,364	189,364
-	18,525	18,525
-	5,105	5,105
-	212,994	212,994
(5,084,177)	212,994	(4,871,183)
\$ 601,162	-	601,162
188,424	-	188,424
744,133	-	744,133
188,470	-	188,470
28,969	17,263	46,232
6,019,792	-	6,019,792
173,201	-	173,201
7,944,151	17,263	7,961,414
2,859,974	230,257	3,090,231
2,373,736	1,313,553	3,687,289
\$ 5,233,710	1,543,810	6,777,520
\$ 172,204	-	172,204
4,735,266	-	4,735,266
38,211	4,909	43,120
-	297,855	297,855
348,422	-	348,422
(60,393)	1,241,046	1,180,653
\$ 5,233,710	1,543,810	6,777,520

City of Tiffin

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue	
	General	Urban Renewal Tax Increment
Receipts:		
Property tax	\$ 559,642	-
Tax increment financing	-	744,133
Other city tax	-	-
Licenses and permits	54,598	-
Use of money and property	14,554	25,663
Intergovernmental	4,454	-
Charges for service	72,718	-
Miscellaneous	3,692	-
Total receipts	709,658	769,796
Disbursements:		
Operating:		
Public safety	177,587	-
Public works	58,788	-
Culture and recreation	163,607	-
Community and economic development	59,858	-
General government	476,151	-
Debt service	-	-
Capital projects	6,054	2,392,854
Total disbursements	942,045	2,392,854
Excess (deficiency) of receipts over (under) disbursements	(232,387)	(1,623,058)
Other financing sources (uses):		
Sale of capital assets	136,808	-
Note proceeds	-	-
Operating transfers in	-	-
Operating transfers out	-	(369,158)
Total other financing sources (uses)	136,808	(369,158)
Change in cash balances	(95,579)	(1,992,216)
Cash balances beginning of year	35,186	2,164,420
Cash balances end of year	\$ (60,393)	172,204
Cash Basis Fund Balances		
Restricted for:		
Urban renewal purposes	\$ -	172,204
Capital projects	-	-
Debt service	-	-
Other purposes	-	-
Unassigned	(60,393)	-
Total cash basis fund balances	\$ (60,393)	172,204

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
188,424	-	41,520	789,586
-	-	-	744,133
-	-	188,470	188,470
-	-	-	54,598
2,652	3,441	-	46,310
-	-	186,456	190,910
-	-	-	72,718
-	-	36,393	40,085
191,076	3,441	452,839	2,126,810
-	-	-	177,587
-	-	181,525	240,313
-	-	34,940	198,547
-	-	85	59,943
-	-	12,697	488,848
1,859,290	-	-	1,859,290
-	-	-	2,398,908
1,859,290	-	229,247	5,423,436
(1,668,214)	3,441	223,592	(3,296,626)
-	-	-	136,808
1,287,967	4,731,825	-	6,019,792
369,158	-	-	369,158
-	-	-	(369,158)
1,657,125	4,731,825	-	6,156,600
(11,089)	4,735,266	223,592	2,859,974
49,300	-	124,830	2,373,736
38,211	4,735,266	348,422	5,233,710
-	-	-	172,204
-	4,735,266	-	4,735,266
38,211	-	-	38,211
-	-	348,422	348,422
-	-	-	(60,393)
38,211	4,735,266	348,422	5,233,710

City of Tiffin

City of Tiffin

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise			Total
	Water	Sewer	Nonmajor Recycling	
Operating receipts:				
Charges for service	\$ 455,517	288,570	50,218	794,305
Operating disbursements:				
Business type activities	296,195	233,999	45,113	575,307
Excess of operating receipts over operating disbursements	159,322	54,571	5,105	218,998
Non-operating receipts (disbursements):				
Interest on investments	9,043	8,220	-	17,263
Debt service	(22,858)	(36,046)	-	(58,904)
Recoupment fees	52,900	-	-	52,900
Total non-operating receipts (disbursements)	39,085	(27,826)	-	11,259
Change in cash balances	198,407	26,745	5,105	230,257
Cash balances beginning of year	824,701	475,058	13,794	1,313,553
Cash balances end of year	\$ 1,023,108	501,803	18,899	1,543,810
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 1,904	3,005	-	4,909
Capital improvements	297,855	-	-	297,855
Unrestricted	723,349	498,798	18,899	1,241,046
Total cash basis fund balances	\$ 1,023,108	501,803	18,899	1,543,810

See notes to financial statements.

City of Tiffin

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Tiffin is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1906 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Tiffin has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City 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 City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Johnson County Assessor's Conference Board, City Assessor's Conference Board, Johnson County Emergency Management Commission, Johnson County Landfill Commission and Johnson County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to the less-restrictive unassigned fund balance classification.

Proprietary 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 a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation. \$297,855 is restricted by enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 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 City 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 City Council; 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 City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Corporate Purpose and Refunding Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2014	\$ 430,000	90,905	47,000	11,910	477,000
2015	435,000	86,605	49,000	10,500	484,000	97,105
2016	440,000	82,255	51,000	9,030	491,000	91,285
2017	445,000	77,855	53,000	7,500	498,000	85,355
2018	450,000	73,405	55,000	5,910	505,000	79,315
2019-2023	2,060,000	275,125	142,000	10,740	2,202,000	285,865
2024-2027	1,390,000	84,273	-	-	1,390,000	84,273
Total	\$ 5,650,000	770,423	397,000	55,590	6,047,000	826,013

General Obligation Bonds

On September 1, 2012, the City issued \$6,100,000 of general obligation corporate purpose and refunding bonds for the purpose of refunding \$1,275,000 of three outstanding general obligation bonds (Sewer improvement series A, Sewer improvement series B and water improvements) and to construct street, water and sewer system improvements.

The refunding was undertaken to reduce total debt service payments over the next ten years by \$101,734 and resulted in an economic gain of \$89,264.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$340,000 of revenue bonds issued in July 2003. Proceeds from the bonds provided financing for the construction of improvements to the municipal water utility. The bonds are payable solely from water customer net receipts and are payable through 2023. Annual principal and interest payments on the water revenue bonds are expected to require less than 15% of net receipts. The total principal and interest remaining to be paid on the bonds is \$228,660. For the current year, principal and interest paid and total customer net receipts were \$22,330 and \$159,322, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$521,315 of revenue bonds issued in September 1999. Proceeds from the bonds provided financing for the construction of improvements to the municipal sewer utility. The bonds are payable solely from sewer customer net receipts and are payable through 2019. Annual principal and interest payments on the sewer revenue bonds are expected to require less than 66% of net receipts. The total principal and interest remaining to be paid on the bonds is \$223,930. For the current year, principal and interest paid and total customer net receipts were \$35,930 and \$54,571, respectively.

The resolutions providing for the issuance of the water and sewer revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level net less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (d) The City shall cause the books and accounts of the sewer and water utilities to be audited annually.
- (e) All users of the system, including the City, shall pay for usage.

The City has not complied with the provisions of the water and sewer revenue bond resolutions requiring sufficient monthly transfers to be made to revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

The City has not complied with the provisions of the water and sewer revenue bond resolutions requiring the books and accounts to be audited annually.

The City does not pay for use of the systems as required by the water and sewer revenue bond resolutions.

Lease Purchase Agreements

On May 19, 2009, the City entered into a lease purchase agreement to lease a dump truck. The lease term is for six years, with interest at 2.65% per annum.

On October 26, 2009, the City entered into a lease purchase agreement to lease a tractor with snow plow. The lease term is for five years, with interest at 5.49% per annum.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2013:

Year Ending June 30,	Dump Truck	Tractor with Snow Plow	Total
2014	\$ 23,208	10,276	33,484
2015	11,604	10,276	21,880
Total minimum lease payments	34,812	20,552	55,364
Less amount representing interest	(1,764)	(1,318)	(3,082)
Present value of net minimum lease payments	\$ 33,048	19,234	52,282

Bank Loan

On July 7, 2010, the City entered into a bank loan to purchase a truck. The loan term is for five years, with interest at 2.65% per annum. Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 8,805	741	9,546
2015	9,256	290	9,546
2016	757	3	760
Total	\$ 18,818	1,034	19,852

(4) Pension and Retirement Benefits

The City 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 which are 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, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013 was \$21,565, equal to the required contribution for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 4 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirement of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2013, the City contributed \$21,535 and there were no contributions from eligible plan members.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for vacation payable to employees at June 30, 2013, primarily relating to the General Fund, was approximately \$28,000.

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Deficit Balance

The General Fund had a deficit balance of \$60,393 at June 30, 2013. The City is currently investigating alternatives to eliminate this deficit to return the fund to a sound financial position.

Required Supplementary Information

City of Tiffin

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 789,586	-
Tax increment financing	744,133	-
Other city tax	188,470	-
Licenses and permits	54,598	-
Use of money and property	46,310	17,263
Intergovernmental	190,910	-
Charges for service	72,718	847,205
Miscellaneous	40,085	-
Total receipts	<u>2,126,810</u>	<u>864,468</u>
Disbursements:		
Public safety	177,587	-
Public works	240,313	-
Culture and recreation	198,547	-
Community and economic development	59,943	-
General government	488,848	-
Debt service	1,859,290	-
Capital projects	2,398,908	-
Business type activities	-	634,211
Total disbursements	<u>5,423,436</u>	<u>634,211</u>
Excess (deficiency) of receipts over (under) disbursements	(3,296,626)	230,257
Other financing sources, net	<u>6,156,600</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,859,974	230,257
Balances beginning of year	<u>2,373,736</u>	<u>1,313,553</u>
Balances end of year	<u>\$ 5,233,710</u>	<u>\$ 1,543,810</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
789,586	712,200	712,200	77,386
744,133	817,758	817,758	(73,625)
188,470	266,416	266,416	(77,946)
54,598	35,000	47,050	7,548
63,573	31,900	31,900	31,673
190,910	609,000	614,000	(423,090)
919,923	765,000	820,000	99,923
40,085	-	-	40,085
<u>2,991,278</u>	<u>3,237,274</u>	<u>3,309,324</u>	<u>(318,046)</u>
177,587	186,100	193,800	16,213
240,313	259,390	261,390	21,077
198,547	155,034	197,950	(597)
59,943	73,758	133,758	73,815
488,848	180,340	271,340	(217,508)
1,859,290	187,652	1,728,372	(130,918)
2,398,908	3,177,473	4,244,511	1,845,603
634,211	673,729	673,729	39,518
<u>6,057,647</u>	<u>4,893,476</u>	<u>7,704,850</u>	<u>1,647,203</u>
(3,066,369)	(1,656,202)	(4,395,526)	1,329,157
<u>6,156,600</u>	<u>-</u>	<u>6,196,257</u>	<u>(39,657)</u>
3,090,231	(1,656,202)	1,800,731	1,289,500
3,687,289	3,357,996	3,357,996	329,293
<u>6,777,520</u>	<u>1,701,794</u>	<u>5,158,727</u>	<u>1,618,793</u>

City of Tiffin

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,811,374. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

Other Supplementary Information

City of Tiffin

City of Tiffin

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue				
	Road Use Tax	Local Option Sales Tax	Employee Benefits	Tiffinfest	Total
Receipts:					
Property tax	\$ -	-	41,520	-	41,520
Local option sales tax	-	188,470	-	-	188,470
Intergovernmental	186,456	-	-	-	186,456
Miscellaneous	-	-	-	36,393	36,393
Total receipts	<u>186,456</u>	<u>188,470</u>	<u>41,520</u>	<u>36,393</u>	<u>452,839</u>
Disbursements:					
Operating:					
Public works	166,490	-	15,035	-	181,525
Culture and recreation	-	-	3,171	31,769	34,940
Community and economic development	-	-	85	-	85
General government	-	-	12,697	-	12,697
Total disbursements	<u>166,490</u>	<u>-</u>	<u>30,988</u>	<u>31,769</u>	<u>229,247</u>
Change in cash balances	19,966	188,470	10,532	4,624	223,592
Cash balances beginning of year	91,128	8,250	12,707	12,745	124,830
Cash balances end of year	<u>\$ 111,094</u>	<u>196,720</u>	<u>23,239</u>	<u>17,369</u>	<u>348,422</u>
Cash Basis Fund Balances					
Restricted	<u>\$ 111,094</u>	<u>196,720</u>	<u>23,239</u>	<u>17,369</u>	<u>348,422</u>

See accompanying independent auditor's report.

City of Tiffin
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement Series A	Sep 30, 1999	3.00%	\$ 488,685
Sewer improvement Series B	Sep 30, 1999	3.00	560,000
Water improvements	Jul 9, 2003	3.00	1,310,000
General obligation Series 2012A	Sep 1, 2012	1.00-2.50	6,100,000
Total			
Revenue bonds:			
Sewer	Sep 30, 1999	3.00%	\$ 521,315
Water	Jul 9, 2003	3.00	340,000
Total			
Lease purchase agreements:			
Skid loader	Nov 6, 2008	2.90%	\$ 37,605
Dump truck	May 19, 2009	2.65	121,113
Tractor with snow plow	Oct 26, 2009	5.49	43,475
Total			
Bank loan:			
Truck	Jul 7, 2010	5.00%	\$ 42,130

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
218,000	-	218,000	-	1,835
243,000	-	243,000	-	2,045
814,000	-	814,000	-	6,851
-	6,100,000	450,000	5,650,000	71,554
\$ 1,275,000	6,100,000	1,725,000	5,650,000	82,285
231,000	-	29,000	202,000	6,930
211,000	-	16,000	195,000	6,330
\$ 442,000	-	45,000	397,000	13,260
8,167	-	8,167	-	357
53,685	-	20,637	33,048	2,571
28,069	-	8,835	19,234	1,421
\$ 89,921	-	37,639	33,048	4,349
27,195	-	8,377	18,818	1,169

City of Tiffin
 Bond Maturities
 June 30, 2013

Year Ending June 30,	General Obligation Bonds		Revenue Bonds					Total
	Series 2012A		Sewer		Water			
	Issued Sep 1, 2012		Issued Jul 9, 2003		Issued Sep 30, 1999			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2014	1.00%	\$ 430,000	3.00%	\$ 30,000	3.00%	\$ 17,000	47,000	
2015	1.00	435,000	3.00	32,000	3.00	17,000	49,000	
2016	1.00	440,000	3.00	33,000	3.00	18,000	51,000	
2017	1.00	445,000	3.00	34,000	3.00	19,000	53,000	
2018	1.20	450,000	3.00	36,000	3.00	19,000	55,000	
2019	1.35	460,000	3.00	37,000	3.00	20,000	57,000	
2020	1.55	390,000		-	3.00	20,000	20,000	
2021	1.75	395,000		-	3.00	21,000	21,000	
2022	2.00	405,000		-	3.00	22,000	22,000	
2023	2.00	410,000		-	3.00	22,000	22,000	
2024	2.15	335,000		-		-	-	
2025	2.30	345,000		-		-	-	
2026	2.40	350,000		-		-	-	
2027	2.50	360,000		-		-	-	
Total		<u>\$ 5,650,000</u>		<u>\$ 202,000</u>		<u>\$ 195,000</u>	<u>397,000</u>	

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tiffin, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2014. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tiffin's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tiffin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tiffin'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 deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (G) and (H) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tiffin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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 City of Tiffin's Responses to the Findings

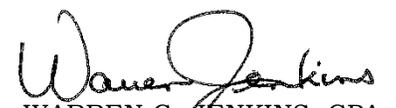
The City of Tiffin's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Tiffin's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City'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 City'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 City of Tiffin 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

June 25, 2014

City of Tiffin

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:
- (1) Cash -- handling, reconciling and recording.
 - (2) Disbursements -- check signing, mailing, posting and reconciling.
 - (3) Investments -- detailed record keeping and reconciling earnings.
 - (4) Payroll -- preparing and distributing.
 - (5) Receipts -- collecting, recording, depositing, posting and reconciling.
 - (6) Utility receipts -- billing, collecting, depositing, posting and reconciling.
 - (7) Investments -- authorization and accounting functions.
 - (8) Accounting system – performing all general accounting functions and having custody of city assets.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Response – We understand the concern and are taking the recommendation under advisement. The City has segregated several processes and will continue to improve on its controls.

Conclusion – Response acknowledged. The City should review its control procedures to obtain the maximum internal control possible under the circumstances.

City of Tiffin

Schedule of Findings

Year ended June 30, 2013

- (B) Records of Accounts/Separately Maintained Records – The City has an annual festival referred to as Tiffifest. The Tiffifest Committee has a separate board and maintains a bank account separate from the City Clerk’s accounting records.

Minutes of Tiffifest Committee activity were not kept and none of the disbursements were approved by either the Tiffifest Committee or the City Council. Total disbursements for the year ended June 30, 2013 were \$31,769.

The transactions and resulting balances of these accounts were not reported to the City Council each month and were not recorded in the City Clerk’s accounting records. Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose.”

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis.

Response – The Tiffifest Committee has been made aware of the recommendations.

Conclusion – Response acknowledged. The City should take steps to ensure the financial activity and balances of all City accounts are included in the City’s accounting records.

- (C) Imprest Cash – The change fund is not maintained on an imprest basis and the City Council has not approved an authorized amount of cash to be maintained in the fund. Surprise cash counts are not performed by an independent person.

Recommendation – The change fund should be maintained on an imprest basis to provide additional internal control. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits. The City Council should adopt a resolution approving the amount of cash on hand. Surprise cash counts should be conducted by an independent person to ensure the accuracy of the change fund balance.

Response – We rarely use petty cash. We are in the process of creating a resolution indicating how much cash needs to be maintained and when we should be completing cash counts and depositing any overage funds (due to people making copies or faxing services/charges).

Conclusion – Response accepted.

- (D) Bank Reconciliations – The City does not reconcile the book balances to the bank accounts monthly.

Recommendation – Book balances should be reconciled to the bank balances monthly. These reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of review. Any variances should be investigated and corrected in a timely manner.

Response – Bank reconciliations will be performed, signed off by the Mayor monthly and any variances will be investigated promptly.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2013

- (E) Reconciliations of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Certain monthly utility billings were not maintained during the year. Also, the City does not maintain a monthly listing of delinquent accounts. The City does not have a formal policy for writing off uncollectible accounts.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts each month. Monthly utility billings should be maintained and an independent person should review the reconciliation and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of review. A written policy should also be established to write off uncollectible accounts.

Response – The City has started maintaining a delinquent account listing and preparing monthly reconciliations. The City will designate an individual to review the reconciliation and monitor delinquencies.

Conclusion – Response accepted.

- (F) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Except for assistance for low and moderate income family housing discussed in Chapter 403.22 of the Code of Iowa, indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

In past years, the City certified large internal loans and projects to the County Auditor which included estimated or projected costs to be paid from the Special Revenue, Tax Increment Financing Fund (TIF Fund). As a result of the amounts certified, the City has accumulated an excess balance in the TIF Fund. In an attempt to pay down the balance in the fund, the City amended the urban renewal plan and approved a resolution establishing internal loans to be repaid by the end of the year. As a result, the City paid capital project disbursements from the TIF Fund.

The remaining TIF debt as certified to the County Auditor is \$8,760,689, or \$3,595,004 more than the outstanding TIF debt of \$5,165,685 at June 30, 2013.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications, including the amount of TIF debt to be decertified, if any.

Effective July 1, 2012, House File 2460 requires any balance remaining in a TIF Fund created under section 403.19 of the Code of Iowa to be transferred to the County for reapportionment to the funds of the respective taxing districts.

Response – The City has had several communications with TIF legal counsel and the Johnson County Auditor to develop and implement a plan to expend the TIF funds it had received over the several previous years. The City began implementing this plan in fiscal year 2013 per suggestion of TIF legal counsel and the Johnson County Auditor. The City expects to be in compliance with all TIF sections of the Code of Iowa going forward.

Conclusion – Response acknowledged.

City of Tiffin

Schedule of Findings

Year ended June 30, 2013

- (G) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – The City has started drafting a City manual which will cover these issues.

Conclusion – Response accepted.

- (H) Timesheets – The City Clerk, who is salaried, does not prepare a timesheet. One hourly employee's time card was not approved by the employee's supervisor.

Sick leave was calculated at year end rather than accrued monthly as required by City policy. Sick leave for June 2013 was accrued twice.

Recommendation – Timesheets should be prepared by all personnel, salaried as well as hourly. The timesheets should be signed by the employee and should be reviewed and signed by the employee's supervisor. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days. Sick leave should be accrued monthly as required by City policy and balances should be reviewed periodically by an independent person.

Response – The City Clerk will start completing a time card. All time cards will be reviewed by the employees' supervisors. Sick leave should be calculated and entered monthly per the City's employee handbook. All sick leave calculations should be documented and periodically reviewed by the Mayor to ensure accruals are properly calculated.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Tiffin

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the culture and recreation, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We understand the concern and are taking the recommendation under advisement.

Conclusion – Response acknowledged. The budget should be amended as required.

- (2) 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.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – The following instances of non-compliance with revenue bond requirements were noted:

- The City did not make the required transfers to the sinking accounts as required by section 10 of the sewer revenue bond resolution and section 8 of the water revenue bond resolution.
- The City does not pay for sewer and water usage as required.
- Section 17 of the sewer revenue bond resolution and section 11 of the water revenue bond resolution require the City books and accounts to be audited annually. The City was last audited for the year ended June 30, 2009.

Recommendation – The City should make the required transfers to the sinking accounts, establish procedures to ensure all City departments are charged for water and sewer usage and discuss required annual audits with the Iowa Department of Natural Resources as the City is not otherwise required to be audited annually.

Response – The City will comply with bond requirements and will contact the Iowa Department of Natural Resources about obtaining an audit waiver.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2013

- (9) Payment of General Obligation Debt – Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund.” General obligation bond principal and interest were paid from the Special Revenue, Urban Renewal Tax Increment Fund.

Recommendation – The City should transfer funds to the Debt Service Fund to pay general obligation principal and interest. This was resolved for audit purposes.

Response – The City will transfer funds to the Debt Service Fund to pay principal and interest. Payments will be disbursed from the Debt Service Fund.

Conclusion – Response accepted.

- (10) Financial Condition – The General Fund had a deficit balance of \$60,393 at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – The City is investigating ways to alleviate the deficit balance.

Conclusion – Response accepted.

- (11) Employee Benefits Levy – Pursuant to Chapter 384.6 of the Code of Iowa, the City levies a tax for payment of costs related to employee benefits and accounts for the levied tax in the Special Revenue, Employee Benefits Fund.

The City paid \$1,531 and \$1,024 for employee benefits related to employee salaries paid from the Enterprise, Water Fund and the Enterprise, Sewer Fund, respectively. Per Iowa Administrative Code [545], Ch. 4, the employee benefits levy is only for employee benefits related to employee salaries paid from the General Fund and the Special Revenue, Road Use Tax Fund.

Recommendation – The City should make a corrective transfer from the Enterprise, Water and Sewer Funds to the Special Revenue, Employee Benefits Fund. When calculating the employee benefits levy, the City should exclude employee benefits related to salaries paid from the Enterprise, Water and Sewer Funds.

Response – The City will make the corrective entries and fix the issue.

Conclusion – Response accepted.

- (12) Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management prior to the December 1 deadline for filing. The June 30, 2012 cash balance reported on the Levy Authority Summary was understated by \$1,104,973. The total TIF debt outstanding reported on the Levy Authority Summary at June 30, 2012 was incorrect because the debt was not issued until September 2012.

Recommendation – The City should ensure the amounts reported as TIF debt outstanding and the ending cash balance agree with the City’s records.

Response – The City will correctly provide proper balances per the City’s records.

Conclusion – Response accepted.

City of Tiffin

Staff

This audit was performed by:

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Deputy Auditor of State