

**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Auditor of State

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Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

June 28, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Tiffin, Iowa.

The City's receipts totaled \$15,295,318 for the year ended June 30, 2018, a 168.2% increase over the prior year. The receipts included \$1,481,646 of property tax, \$878,133 from tax increment financing, \$1,933,419 from charges for service, \$251,287 from operating grants, contributions and restricted interest, \$2,039,784 from capital grants, contributions and restricted interest, \$36,731 from unrestricted interest on investments, \$8,570,596 of bond proceeds and \$103,722 of other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$9,337,914, a 51.5% increase over the prior year, and included \$3,366,353 for capital projects, \$1,012,253 for debt service and \$381,028 for general government. Also, disbursements for business type activities totaled \$3,588,213.

The significant increase in receipts and disbursements is due primarily to the issuance of \$8,571,000 of bonds for various capital projects.

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

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CITY OF TIFFIN
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2018

City of Tiffin



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STATE OF IOWA

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June 18, 2019

Officials of City of Tiffin
Tiffin, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Tiffin, Iowa, for the year ended June 30, 2018. 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 City of Tiffin throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand
Auditor of State

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City of Tiffin

Officials

(Before January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Berner	Mayor	Jan 2018
Michael C. Ryan	Mayor Pro tem	Jan 2020
James R. Bartels	Council Member	Jan 2018
Oliver A. Havens	Council Member	Jan 2018
Joan F. Kahler	Council Member	Jan 2018
Peggy Knowling Upton	Council Member	Jan 2020
Doug Boldt	City Administrator	Indefinite
Ashley Platz	City Clerk	Indefinite
Robert Michael	Attorney	Indefinite
Crystal Raiber	Attorney	Indefinite

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Berner	Mayor	Jan 2020
Michael C. Ryan	Mayor Pro tem	Jan 2020
Peggy Knowling Upton	Council Member	Jan 2020
James R. Bartels	Council Member	Jan 2022
Oliver A. Havens	Council Member	Jan 2022
Eric Schnedler	Council Member	Jan 2022
Doug Boldt	City Administrator	Indefinite
Ashley Platz	City Clerk	Indefinite
Robert Michael	Attorney	Indefinite
Crystal Raiber	Attorney	Indefinite

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, 2018, 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.

Opinions

In our opinion, 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, 2018, 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 discussed 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, 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, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 34 through 40, 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 18, 2019 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 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 City'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 City of Tiffin's internal control


Marlys K. Gaston, CPA
Deputy Auditor of State

June 18, 2019

City of Tiffin

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, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 273.4%, or approximately \$8,250,000, from fiscal year 2017 to fiscal year 2018. Property tax, including tax increment financing, increased approximately \$321,000, bond proceeds increased approximately \$6,062,000 and capital grants increased approximately \$1,815,000.
- Disbursements of the City's governmental activities increased 29.8%, or approximately \$1,321,000. Capital projects, debt service and community and economic development disbursements increased approximately \$1,160,000, \$69,000, and \$62,000 respectively.
- The City's total cash basis net position increased 170%, or approximately \$5,957,000, from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities increased approximately \$5,518,000 and the cash basis net position of the business type activities increased approximately \$439,000.

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 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 and the City's proportionate share of the net pension liability and related contributions.

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 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 Funds. The Water and Sewer Funds are considered to be major funds of the City.

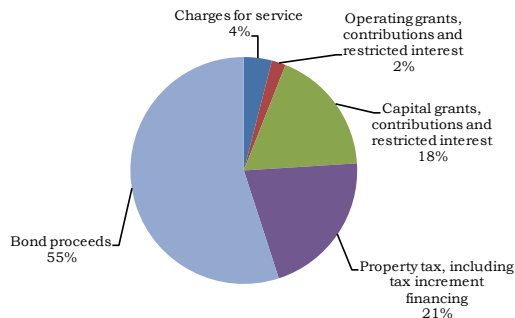
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

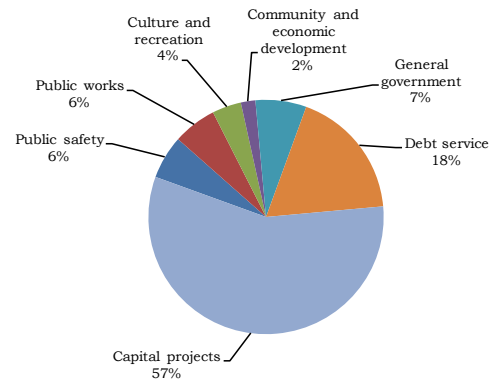
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$2.309 million to approximately \$7.827 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 436,301	365,855
Operating grants, contributions and restricted interest	251,287	273,788
Capital grants, contributions and restricted interest	2,039,784	225,034
General receipts:		
Property tax, including tax increment financing	2,359,779	2,038,563
Commercial/industrial tax replacement	47,966	26,513
Unrestricted interest on investments	36,731	14,925
Bond proceeds	6,062,040	-
Other general receipts	33,558	72,469
Total receipts	11,267,446	3,017,147
Disbursements:		
Public safety	318,613	302,645
Public works	323,392	302,937
Culture and recreation	235,183	250,946
Community and economic development	112,879	50,890
General government	381,028	372,105
Debt service	1,012,253	942,760
Capital projects	3,366,353	2,206,318
Total disbursements	5,749,701	4,428,601
Change in cash basis net position before transfers	5,517,745	(1,411,454)
Transfers, net	192	-
Change in cash basis net position	5,517,937	(1,411,454)
Cash basis net position beginning of year	2,308,872	3,720,326
Cash basis net position end of year	\$ 7,826,809	2,308,872

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 273.4%, or approximately \$8,250,000, over the prior year. The total cost of all programs and services increased approximately \$1,321,000, or 29.8%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from the issuance of general obligation bonds and capital grants.

The City decreased property tax rates for fiscal year 2018 an average of .04%. This decrease, and total assessed valuation raised the City's property tax receipts, including tax increment financing, approximately \$307,000 in fiscal year 2018. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$295,000 next year.

The cost of all governmental activities this year was approximately \$5.750 million compared to approximately \$4.429 million last year. However, as shown in the Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$3.022 million because some of the cost was paid by those directly benefiting from the programs (approximately \$436,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,291,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2018 from approximately \$865,000 to approximately \$2,727,000, principally due to receiving a Department of Transportation RISE grant to construct street, water system, storm water drainage, sanitary sewer system, sidewalk improvements and installing street lighting and street signalization.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 652,373	636,590
Sewer	760,747	616,591
Recycling	83,998	74,553
General receipts:		
Bond proceeds	2,508,556	1,335,838
Other general receipts	22,198	21,871
Total receipts	<u>4,027,872</u>	<u>2,685,443</u>
Disbursements:		
Water	531,289	421,634
Sewer	2,983,671	1,247,897
Recycling	73,253	65,884
Total disbursements	<u>3,588,213</u>	<u>1,735,415</u>
Change in cash basis net position before transfers	439,659	950,028
Transfers, net	<u>(192)</u>	-
Change in cash basis net position	439,467	950,028
Cash basis net position beginning of year	<u>1,197,875</u>	<u>247,847</u>
Cash basis net position end of year	<u>\$ 1,637,342</u>	<u>1,197,875</u>

Total business type activities receipts for the fiscal year were approximately \$4,028,000 compared to approximately \$2,685,000 last year, a 50.0% increase. The increase is primarily due to bond proceeds received in the current year of \$2,288,556. Total disbursements for the fiscal year increased to approximately \$3,588,000 compared to approximately \$1,735,000 last year, an increase of 106.8%. The increase in disbursements was due primarily to more capital outlay disbursements in the current year for constructing improvements and extensions to the sewer utility.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tiffin completed the year, its governmental funds reported a combined fund balance of \$7,826,809, an increase of approximately \$5,518,000 over last year's total of \$2,308,872. 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 increased \$526,732 over the prior year to \$1,337,473. Receipts increased approximately \$236,000, or 18.0%, and disbursements increased approximately \$49,000, or 5.2%. The increase in the cash balance is primarily due to an increase in property tax and licenses and permits for building and construction.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$73,172 from the prior year to \$259,230. Road use tax receipts were similar to the prior year. Disbursements increased \$19,778 over the prior year to \$291,484, and transfers to the Capital projects fund increased \$30,475 in the current year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$78,151 over the prior year to \$1,801,842. Tax increment financing receipts increased by \$25,170 in the current year. Disbursements for developer agreements increased by \$5,601 in the current year and transfers to the Debt Service Fund for payment of TIF debt increased by \$129,104 in the current year.
- The Debt Service Fund cash balance increased \$119,960 over the previous year to \$191,879. Receipts and disbursements increased \$54,255 and \$69,493, respectively, over the prior year.
- The Capital Projects Fund cash balance increased \$4,783,551 over the prior year to \$3,966,786. The increase was primarily due to intergovernmental receipts increasing by \$1,887,308 due to receiving a Department of Transportation RISE grant and bond proceeds of \$6,062,040 collected for various improvement projects, land acquisition and purchase of a fire truck. Disbursements increased \$1,160,035 for capital projects, including street and park projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$357,939, or 108.3%, to \$688,464. Operating receipts increased \$16,336, or 2.5% over the prior year and operating disbursements increased \$110,035, or 27.5%, due to increased utility usage costs for the water treatment plant construction project and \$220,000 of general obligation bond proceeds net of discount.
- The Enterprise, Sewer Fund cash balance increased \$70,783 to \$906,864, due primarily to the receipt of \$2,288,556 of revenue bond proceeds to help fund a sewer construction project. At June 30, 2018, \$2,188,772 of these resources had been spent on project costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 5, 2018 and resulted in an increase in budgeted receipts and disbursements. The amendment increased receipts for receiving State Revolving Loan fund proceeds and an increase in interest receipts from larger banks balances due to the City receiving bond proceeds during the year. Disbursement increases were made for general legal and technology expenses, a City Hall electronic sign, utilities for street lights, soccer field maintenance and the waste water treatment plant project.

The City's receipts were \$2,606 more than budgeted and total disbursements were \$4,321,491 less than amended budget. The capital projects function was \$4,227,018 less than budgeted primarily due to delay in payment requests for the capital projects.

The City exceeded amounts budgeted in the public works, general government and business type activities functions prior to the budget amendment. Even with the budget amendment, the City exceeded the amount budgeted in business type activities functions by \$35,656 for the year ended June 30, 2018.

DEBT ADMINISTRATION

At June 30, 2018, the City had \$17,066,151 of bonds outstanding, compared to \$9,447,595 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2018	2017
General obligation bonds	\$ 13,240,000	7,760,000
Revenue bonds	3,826,151	1,687,595
Total	<u>\$ 17,066,151</u>	<u>9,447,595</u>

Debt increased as a result of issuing revenue bonds for a sewer construction project. In addition, the City issued general obligation bonds for street construction, water system, storm water drainage, sanitary sewer system and sidewalk improvement projects and installing street lighting and street signalization and a fire truck acquisition.

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 \$13,361,000, including \$121,000 for developer agreements, is below its constitutional debt limit of approximately \$15.5 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

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 2019 budget, tax rates and fees charged for various City activities.

The budget for the capital projects function is \$5,676,000 for fiscal year 2019 to complete multiple projects.

The budget for the business type activities function is \$5,251,712 for fiscal year 2019 versus a final amended amount of \$3,552,557 in fiscal year 2018 due to projects to expand the infrastructure.

The budget for other financing sources is expected to be \$4,000,000 due to the expectation of receiving debt proceeds during the year.

If these estimates are realized, the City's cash balance is expected to decrease approximately \$3,944,933 by the close of fiscal year 2019.

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 Doug Boldt, City Administrator, 300 Railroad Street, Tiffin, Iowa 52340.

City of Tiffin

Basic Financial Statements

City of Tiffin

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 318,613	340,515	-	-
Public works	323,392	-	248,418	-
Culture and recreation	235,183	19,690	-	-
Community and economic development	112,879	-	-	-
General government	381,028	76,096	2,869	-
Debt service	1,012,253	-	-	-
Capital projects	3,366,353	-	-	2,039,784
Total governmental activities	5,749,701	436,301	251,287	2,039,784
Business type activities:				
Water	531,289	652,373	-	-
Sewer	2,983,671	760,747	-	-
Recycling	73,253	83,998	-	-
Total business type activities	3,588,213	1,497,118	-	-
Total	\$ 9,337,914	1,933,419	251,287	2,039,784
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Revenue bond proceeds, net of \$33,770 initiation fees				
General obligation bond proceeds, including \$42,040 of premium				
Miscellaneous				
Transfers				
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:				
Streets				
Debt service				
Capital Projects				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
21,902	-	21,902
(74,974)	-	(74,974)
(215,493)	-	(215,493)
(112,879)	-	(112,879)
(302,063)	-	(302,063)
(1,012,253)	-	(1,012,253)
(1,326,569)	-	(1,326,569)
(3,022,329)	-	(3,022,329)
-	121,084	121,084
-	(2,222,924)	(2,222,924)
-	10,745	10,745
-	(2,091,095)	(2,091,095)
(3,022,329)	(2,091,095)	(5,113,424)
1,141,968	-	1,141,968
339,678	-	339,678
878,133	-	878,133
47,966	-	47,966
36,731	-	36,731
-	2,288,556	2,288,556
6,062,040	220,000	6,282,040
33,558	22,198	55,756
192	(192)	-
8,540,266	2,530,562	11,070,828
5,517,937	439,467	5,957,404
2,308,872	1,197,875	3,506,747
\$ 7,826,809	1,637,342	9,464,151
259,230	-	259,230
1,993,721	16,649	2,010,370
3,966,786	506,303	4,473,089
269,599	-	269,599
1,337,473	1,114,390	2,451,863
\$ 7,826,809	1,637,342	9,464,151

City of Tiffin

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

As of and for the year ended June 30, 2018

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 1,046,373	-	-
Tax increment financing	-	-	878,133
Licenses and permits	332,965	-	-
Use of money and property	55,518	-	617
Intergovernmental	22,711	248,787	-
Charges for service	37,682	-	-
Miscellaneous	58,257	-	-
Total receipts	1,553,506	248,787	878,750
Disbursements:			
Operating:			
Public safety	297,658	-	-
Public works	708	291,484	-
Culture and recreation	226,551	-	-
Community and economic development	98,854	-	13,917
General government	356,829	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	980,600	291,484	13,917
Excess (deficiency) of receipts over (under) disbursements	572,906	(42,697)	864,833
Other financing sources (uses):			
Sale of Property	17,320	-	-
General obligation bond proceeds, including \$42,040 of premium	-	-	-
Transfers in	-	-	-
Transfers out	(63,494)	(30,475)	(786,682)
Total other financing sources (uses)	(46,174)	(30,475)	(786,682)
Change in cash balances	526,732	(73,172)	78,151
Cash balances (deficits) beginning of year	810,741	332,402	1,723,691
Cash balances end of year	\$ 1,337,473	259,230	1,801,842
Cash Basis Fund Balances			
Restricted for:			
Streets	-	259,230	-
Debt service	-	-	1,801,842
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	1,337,473	-	-
Total cash basis fund balances	\$ 1,337,473	259,230	1,801,842

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
339,678	-	95,595	1,481,646
-	-	-	878,133
-	-	-	332,965
-	24,051	-	80,186
5,853	2,028,784	2,082	2,308,217
-	-	-	37,682
-	11,000	-	69,257
345,531	2,063,835	97,677	5,188,086
-	-	20,955	318,613
-	-	31,201	323,393
-	-	8,632	235,183
-	-	107	112,878
-	-	24,199	381,028
1,012,253	-	-	1,012,253
-	3,366,353	-	3,366,353
1,012,253	3,366,353	85,094	5,749,701
(666,722)	(1,302,518)	12,583	(561,615)
-	-	-	17,320
-	6,062,040	-	6,062,040
786,682	94,161	70,132	950,975
-	(70,132)	-	(950,783)
786,682	6,086,069	70,132	6,079,552
119,960	4,783,551	82,715	5,517,937
71,919	(816,765)	186,884	2,308,872
191,879	3,966,786	269,599	7,826,809
-	-	-	259,230
191,879	-	-	1,993,721
-	3,966,786	-	3,966,786
-	-	269,599	269,599
-	-	-	1,337,473
191,879	3,966,786	269,599	7,826,809

Exhibit C

City of Tiffin

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

As of and for the year ended June 30, 2018

	Enterprise			Total
	Water	Sewer	Nonmajor Recycling	
Operating receipts:				
Charges for service	\$ 652,373	760,747	83,998	1,497,118
Miscellaneous	17,047	5,151	-	22,198
Total operating receipts	669,420	765,898	83,998	1,519,316
Operating disbursements:				
Business type activities	509,809	623,947	73,253	1,207,009
Excess of operating receipts over operating disbursements	159,611	141,951	10,745	312,307
Non-operating receipts (disbursements):				
Revenue bond proceeds, net of \$33,770 initiation fees	-	2,288,556	-	2,288,556
General obligation bond proceeds	220,000	-	-	220,000
Debt service	(21,480)	(170,952)	-	(192,432)
Capital projects	-	(2,188,772)	-	(2,188,772)
Net non-operating receipts (disbursements)	198,520	(71,168)	-	127,352
Excess of receipts over disbursements	358,131	70,783	10,745	439,659
Transfers out	(192)	-	-	(192)
Change in cash balances	357,939	70,783	10,745	439,467
Cash balances beginning of year	330,525	836,081	31,269	1,197,875
Cash balances end of year	<u>\$ 1,046,403</u>	<u>977,647</u>	<u>52,759</u>	<u>2,076,809</u>
Cash Basis Fund Balances				
Restricted for debt service	\$ 1,842	14,807	-	16,649
Restricted for capital projects	-	506,303	-	506,303
Unrestricted	686,622	385,754	42,014	1,114,390
Total cash basis fund balances	<u>\$ 688,464</u>	<u>906,864</u>	<u>42,014</u>	<u>1,637,342</u>

See notes to financial statements.

City of Tiffin

Notes to Financial Statements

June 30, 2018

(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, sewer and recycling 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 911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position 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 receipts, 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 the following categories/components:

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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints 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 and enterprise 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.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The 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 less-restrictive classifications – committed, assigned and then unassigned fund balances.

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.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2018, the City exceeded the amounts budgeted in the public works, general government and business type activities functions prior to the budget amendment. Even with the budget amendment, the City exceeded the amounts budgeted in the business type activities function by \$35,656.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2018 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 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. 72.

(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 Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,080,000	375,407	57,000	2,485	1,137,000	377,892
2020	1,040,000	346,165	20,000	1,487	1,060,000	347,652
2021	1,060,000	322,495	21,000	1,138	1,081,000	323,633
2022	1,085,000	296,883	22,000	770	1,107,000	297,653
2023	1,110,000	269,342	22,000	385	1,132,000	269,727
2024-2028	5,230,000	892,163	-	-	5,230,000	892,163
2029-2033	2,270,000	293,900	-	-	2,270,000	293,900
2034-2038	365,000	45,200	-	-	365,000	45,200
Total	\$ 13,240,000	2,841,555	142,000	6,265	13,382,000	2,847,820

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 bonds bear interest rates ranging from 1.00% to 2.50% per annum and mature on June 1, 2027. During the year ended June 30, 2018, the City paid principal of \$450,000 and interest of \$73,405 on the bonds. The outstanding principal balance at June 30, 2018 was \$3,450,000.

On July 29, 2015, the City issued \$4,430,000 of general obligation corporate purpose bonds to provide funds for various improvement projects and land acquisition. The bonds bear interest rates ranging from 2.00% to 3.40% per annum and mature on June 1, 2028. During the year ended June 30, 2018, the City paid principal of \$310,000 and interest of \$107,805 on the bonds. The outstanding principal balance at June 30, 2018 was \$3,550,000.

On December 20, 2017, the City issued \$5,140,000 of general obligation corporate purpose bonds to provide funds for various improvement projects and land acquisition. The bonds bear interest rates ranging from 3.00% to 3.15% per annum and mature on June 1, 2033. During the year ended June 30, 2018, the City paid interest of \$69,243 on the bonds.

On April 4, 2018, the City issued \$1,100,000 of general obligation corporate purpose bonds to provide funds for acquisition of a fire truck for use by the municipal fire department. The bonds bear interest rates of 4.00% per annum and mature on June 1, 2038. During the year ended June 30, 2018, the City made no payments on principal or interest.

Revenue Bonds

On May 11, 2018, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds of up to \$6,754,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A to finance construction of certain wastewater treatment facilities. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2018, the City had drawn down \$1,665,507 of the authorized amount. An initiation fee of \$33,770 (0.5% of the authorized borrowing for the sewer revenue bonds) was charged by the IFA. The initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City during the year ended June 30, 2018. A final repayment schedule has not yet been adopted. During the year ended June 30, 2018, the City paid no principal or interest.

On September 30, 2016, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$2,296,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A to finance construction of certain wastewater treatment facilities. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. During fiscal year 2018, the City drew down \$656,819 on the bond. At June 30, 2018, the City had drawn down \$2,158,894 of the authorized amount. An initiation fee of \$11,480 (0.5% of the authorized borrowing for the water revenue bonds) was charged by the IFA. The initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City during the year ended June 30, 2017. A final repayment schedule has not yet been adopted. During the year ended June 30, 2018, the City paid principal of \$95,000 and interest of \$38,127 on the bonds under a preliminary repayment schedule.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,665,507 of sewer revenue bonds issued in May 2018, \$2,158,894 of sewer revenue bonds issued in September 2017, and \$521,315 of sewer revenue bonds issued in September 1999. Proceeds from the September 1999 bonds provided financing for the planning, design and construction of improvements to the municipal sewer utility. On June 1, 2013, the Iowa Finance Authority reduced the interest rate on the September 1999 sewer revenue bonds to 1.75% per annum. The bonds are payable solely from sewer customer net receipts and are payable through 2019 for the September 1999 bonds.

Annual principal and interest payments on the bonds are expected to require more than 100% of net receipts. The total principal and interest remaining to be paid on the September 1999 bonds is \$37,647. For the current year, the principal and interest paid on the sewer bonds and total customer net receipts were \$170,405 and \$141,951, respectively.

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 14% of net receipts. The total principal and interest remaining to be paid on the bonds is \$110,618. For the current year, principal and interest paid and total customer net receipts were \$21,170 and \$159,611, respectively. On June 1, 2014, the Iowa Finance Authority reduced the interest rate on the water revenue bonds to 1.75% per annum.

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 separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not 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 does not pay for use of the systems as required by the water and sewer revenue bond resolutions. The City has not established sewer rates to provide net operating receipts which will meet the required 110% of the principal and interest coming due in each year.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City 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.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member’s monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member’s highest three-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 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2018 totaled \$42,521.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$383,474 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the City's proportion was 0.005757%, which was an increase of 0.000415% over its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$52,748, \$139,777 and \$76,955, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 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, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
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 City 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 of 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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%)
City's proportionate share of the net pension liability	\$ 631,811	383,474	174,823

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.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave, compensatory time, and personal leave 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 earned vacation, sick leave and compensatory time payable to employees at June 30, 2018, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 29,500
Sick leave	6,300
Compensatory time	3,400
Personal leave	1,000
Total	<u>\$ 40,200</u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
Economic Development	Capital Projects Fund	<u>\$ 70,132</u>
Debt Service	Special Revenue: Urban Renewal Tax Increment	<u>786,682</u>
Capital Projects Fund	General Fund	63,494
	Special Revenue: Road Use Tax	30,475
	Enterprise: Water	<u>192</u>
		<u>94,161</u>
		<u>\$ 950,975</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(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) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, the City abated \$4,747 of property tax under the urban renewal and economic development agreements.

(9) Construction Commitments

The City has entered into construction contracts totaling \$13,744,281 for streets and wastewater treatment plant improvement projects. As of June 30, 2018, \$5,467,583 has been paid on the contracts. The remaining \$8,276,698 will be paid as work progresses.

(10) Development and Rebate Agreements

The City has entered into various rebate agreements to assist in certain urban renewal projects. The agreements require the City to rebate portions of incremental property tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements by the developers.

The total to be paid by the City under the agreements is not to exceed \$1,919,500. The total amount rebated during the year ended June 30, 2018 was \$13,917. The outstanding balance of the agreements at June 30, 2018 was \$1,328,000.

These agreements are not general obligations of the City. However, the agreements are subject to an annual appropriation and only the amount payable in the succeeding year is subject to the constitutional debt limitation.

City of Tiffin

Other 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

Other Information

Year ended June 30, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 1,481,646	-	1,481,646
Tax increment financing	878,133	-	878,133
Other city tax	-	-	-
Licenses and permits	332,965	-	332,965
Use of money and property	80,186	-	80,186
Intergovernmental	2,308,217	-	2,308,217
Charges for service	37,682	1,497,118	1,534,800
Miscellaneous	69,257	22,198	91,455
Total receipts	<u>5,188,086</u>	<u>1,519,316</u>	<u>6,707,402</u>
Disbursements:			
Public safety	318,613	-	318,613
Public works	323,393	-	323,393
Culture and recreation	235,183	-	235,183
Community and economic development	112,878	-	112,878
General government	381,028	-	381,028
Debt service	1,012,253	-	1,012,253
Capital projects	3,366,353	-	3,366,353
Business type activities	-	3,588,213	3,588,213
Total disbursements	<u>5,749,701</u>	<u>3,588,213</u>	<u>9,337,914</u>
Excess (deficiency) of receipts over (under) disbursements	(561,615)	(2,068,897)	(2,630,512)
Other financing sources, net	<u>6,079,552</u>	<u>2,508,364</u>	<u>8,587,916</u>
Excess of receipts and other financing sources over disbursements and other financing uses	5,517,937	439,467	5,957,404
Balances beginning of year	<u>2,308,872</u>	<u>1,197,875</u>	<u>3,506,747</u>
Balances end of year	<u>\$ 7,826,809</u>	<u>1,637,342</u>	<u>9,464,151</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
1,424,280	1,424,280	57,366
879,683	879,683	(1,550)
57,692	57,692	(57,692)
327,500	327,500	5,465
33,391	153,391	(73,205)
2,179,150	2,179,150	129,067
1,502,100	1,502,100	32,700
181,000	181,000	(89,545)
6,584,796	6,704,796	2,606
319,034	319,034	421
294,086	329,086	5,693
230,395	245,395	10,212
217,261	217,261	104,383
319,991	389,991	8,963
1,012,710	1,012,710	457
7,593,371	7,593,371	4,227,018
3,052,557	3,552,557	(35,656)
13,039,405	13,659,405	4,321,491
(6,454,609)	(6,954,609)	4,324,097
7,300,000	7,800,000	787,916
845,391	845,391	5,112,013
3,405,295	3,405,295	101,452
4,250,686	4,250,686	5,213,465

City of Tiffin

Notes to Other Information – Budgetary Reporting

June 30, 2018

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 \$620,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the business type activities function.

City of Tiffin

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Four Years*
(In Thousands)

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.005757%	0.005342%	0.003621%	0.004056%
City's proportionate share of the net pension liability	\$ 383	336	179	161
City's covered payroll	\$ 426	383	267	267
City's proportionate share of the net pension liability as a percentage of its covered payroll	89.91%	87.73%	67.04%	60.30%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

* 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.

See accompanying independent auditor's report.

City of Tiffin

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Seven Years
(In Thousands)

Other Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 43	38	34	24
Contributions in relation to the statutorily required contribution	(43)	(38)	(34)	(24)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 476	426	383	267
Contributions as a percentage of covered payroll	9.03%	8.92%	8.88%	8.99%

GASB Statement No. 68 requires ten years of information be presented in this table. However until a full 10-year trend is compiled, the City will present information for those for which information is available.

See accompanying independent auditor's report.

2014	2013	2012
24	19	9
(24)	(19)	(9)
-	-	-
267	220	125
8.99%	8.64%	7.20%

City of Tiffin

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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, 2018

	Special Revenue				Total
	Economic Development	Employee Benefits	Local Option Sales Tax	FEMA	
Receipts:					
Property tax	\$ -	95,595	-	-	95,595
Intergovernmental	-	2,082	-	-	2,082
Total receipts	-	97,677	-	-	97,677
Disbursements:					
Operating:					
Public safety	-	20,955	-	-	20,955
Public works	-	31,201	-	-	31,201
Cultures and recreation	-	8,632	-	-	8,632
Community and economic development	-	107	-	-	107
General government	-	24,199	-	-	24,199
Total disbursements	-	85,094	-	-	85,094
Excess of receipts over disbursements	-	12,583	-	-	12,583
Other financing uses:					
Transfers in	70,132	-	-	-	70,132
Change in cash balances	70,132	12,583	-	-	82,715
Cash balances (deficit) beginning of year	(70,132)	147,144	55,598	54,274	186,884
Cash balances end of year	\$ -	159,727	55,598	54,274	269,599
Cash Basis Fund Balances					
Restricted for other purposes	\$ -	159,727	55,598	54,274	269,599

See accompanying independent auditor's report.

City of Tiffin
 Schedule of Indebtedness
 Year ended June 30, 2018

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
General obligation Series 2012A	Sep 1, 2012	1.00-2.50%	\$ 6,100,000
General obligation Series 2015A	Jul 29, 2015	2.00-3.40	4,430,000
General obligation Series 2017A	Dec 20, 2017	3.00-3.15	5,140,000
General obligation Series 2018A	Apr 4, 2018	4.00	1,100,000
Total			
Revenue Bonds:			
Sewer	Sep 30, 1999 *	1.75%	\$ 521,315
Water	Jul 9, 2003 *	1.75	340,000
Sewer	Sep 30, 2016 *	1.75	2,158,894
Sewer	May 11, 2018 *	1.75	1,665,507
Total			

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
3,900,000	-	450,000	3,450,000	73,405
3,860,000	-	310,000	3,550,000	107,805
-	5,140,000	-	5,140,000	69,243
-	1,100,000	-	1,100,000	-
<u>\$ 7,760,000</u>	<u>6,240,000</u>	<u>760,000</u>	<u>13,240,000</u>	<u>250,453</u>
73,000	-	36,000	37,000	1,278
124,000	-	19,000	105,000	2,170
1,502,075	656,819	95,000	2,063,894	38,127
-	1,665,507	-	1,665,507	-
<u>\$ 1,699,075</u>	<u>2,322,326</u>	<u>150,000</u>	<u>3,871,401</u>	<u>41,575</u>

City of Tiffin
Bond Maturities
June 30, 2018

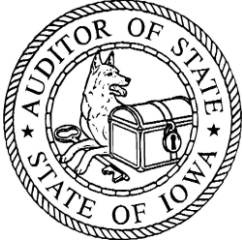
Year Ending June 30,	General Obligation Bonds					
	Series 2012A		Series 2015A		Series 2017A	
	Issued September 1, 2012		Issued July 29, 2015		Issued December 20, 2017	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2019	1.35%	\$ 460,000	2.10%	\$ 315,000	3.00%	\$ 275,000
2020	1.55	390,000	2.30	325,000	3.00	285,000
2021	1.75	395,000	2.50	330,000	3.00	295,000
2022	2.00	405,000	2.60	340,000	3.00	300,000
2023	2.00	410,000	2.80	345,000	3.00	310,000
2024	2.15	335,000	3.00	355,000	3.00	320,000
2025	2.30	345,000	3.10	365,000	3.00	330,000
2026	2.40	350,000	3.20	380,000	3.00	340,000
2027	2.50	360,000	3.30	390,000	3.00	350,000
2028		-	3.40	405,000	3.00	360,000
2029		-		-	3.00	370,000
2030		-		-	3.00	385,000
2031		-		-	3.00	395,000
2032		-		-	3.00	405,000
2033		-		-	3.15	420,000
2034		-		-		-
2035		-		-		-
2036		-		-		-
2037		-		-		-
2038		-		-		-
Total		<u>\$ 3,450,000</u>		<u>\$ 3,550,000</u>		<u>\$ 5,140,000</u>

Year Ending June 30,	Revenue Bonds				
	Series 1999		Water		Total
	Issued September 30, 1999		Issued July 9, 2003		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2019	1.75%	\$ 37,000	1.75%	\$ 20,000	57,000
2020		-	1.75	20,000	20,000
2021		-	1.75	21,000	21,000
2022		-	1.75	22,000	22,000
2023		-	1.75	22,000	22,000
Total		<u>\$ 37,000</u>		<u>\$ 105,000</u>	<u>142,000</u>

See accompanying independent auditor's report.

Series 2018A		
Issued April 4, 2018		
Interest		
Rates	Amount	Total
4.00% \$	30,000	1,080,000
4.00	40,000	1,040,000
4.00	40,000	1,060,000
4.00	40,000	1,085,000
4.00	45,000	1,110,000
4.00	45,000	1,055,000
4.00	45,000	1,085,000
4.00	50,000	1,120,000
4.00	50,000	1,150,000
4.00	55,000	820,000
4.00	55,000	425,000
4.00	55,000	440,000
4.00	60,000	455,000
4.00	60,000	465,000
4.00	65,000	485,000
4.00	65,000	65,000
4.00	70,000	70,000
4.00	75,000	75,000
4.00	75,000	75,000
4.00	80,000	80,000
	<u>\$ 1,100,000</u>	<u>13,240,000</u>

**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**



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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, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2019. Our report expressed unmodified 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.

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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

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 (C) 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 deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

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 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 City's operations for the year ended June 30, 2018 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.

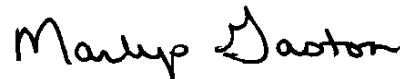
The City of Tiffin's Responses to the Findings

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

June 18, 2019

City of Tiffin

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Bank Reconciliations

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

Condition – The cash and investment balances in the City’s general ledger were reconciled to bank and investment balances throughout the year using the bank statement reconciliation function within the City’s software. However, the City does not perform a comprehensive bank reconciliation of all bank and investment accounts. We performed a reconciliation at June 30, 2018 and determined the bank balance was \$8,789 less than book balance. However, we were unable to determine cause of variance as the City does not maintain an accurate outstanding checks listing.

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

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

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

Response – The City has implemented new procedures to have reports run automatically to allow the full reconciliation to be done. The new spreadsheet provided by the State Auditors has helped current procedures and now the reconciliations of the book and bank balances are being reviewed. The City is in the process of updating the outstanding check list in order to maintain an accurate listing.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

City of Tiffin

Schedule of Findings

Year ended June 30, 2018

Cause – Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent account balances and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – The City has implemented new procedures to have reports automatically run to ensure the “AR Audit Report” and “Trial Balances” agree. These numbers will be used in the new reconciliation spreadsheet the State Auditors provided.

Conclusion – Response accepted.

(C) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City’s financial statements.

Condition – During the audit, we identified material amounts of correcting journal entries that were back dated and posted to a prior year. This caused a difference between the City’s general ledger beginning balance and the reported fiscal year 2017 ending balances. Adjustments were subsequently made by the City to properly report the amounts in the City’s current fiscal year financial statements.

Cause – Policies have not been established and procedures have not been implemented to ensure proper posting and dating of journal entries to ensure accurate reporting of the City’s financial statements.

Effect – This condition could result in inaccurate fiscal year reporting.

Recommendation – The City should establish and implement procedures to ensure correcting journal entries are properly posted in the current fiscal year. The procedures should include evidence of review of the correcting entries by an independent person and approval by the City Council.

Response – The City will perform corrections within its current fiscal year.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2018

(D) Change Fund

Criteria – The City collects utility payments and other miscellaneous fees. A change fund is maintained to make change as necessary for these collections.

Condition – The City has not approved an authorized amount of cash to be maintained in the change fund.

Cause – Procedures have not been implemented to approve an authorized amount of cash to be maintained in the change fund.

Effect – An approved authorized amount will improve the accountability for cash and provide for the reconciliation of receipts and deposits.

Recommendation – The City Council should approve an authorized amount of cash to be maintained in the change fund.

Response – The City has a change fund policy that it operates under but it has not been approved by the City Council. We will have the change fund policy approved by the City Council.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2018

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public works, general government and business type activities functions prior to the budget amendment. Disbursements at year end exceeded the amounts budgeted in the business type activities function. 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 in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Although we made the necessary accommodations of a budget amendment on June 5, 2018, transactions made after that date pushed the City’s budget over the budgeted amount. The City will amend the budget according to the Code of Iowa prior to exceeding disbursements.

Conclusion – Response accepted.

- (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 – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ann Ross, Utility Billing Clerk	Cleaning services	\$ 1,275

The transactions with Ann Ross do not represent a conflict of interest in accordance with Chapter 362.5(3)(j) of the Code of Iowa because the cumulative total during the fiscal year was less than \$2,500.

- (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.

City of Tiffin

Schedule of Findings

Year ended June 30, 2018

- (6) City Council Meeting Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not. However, the City did not publish annual gross salaries in accordance with an Attorney General’s opinion dated April 12, 1978.

Recommendation – Annual gross salaries should be published as required.

Response – The City will publish annual gross salaries in the North Liberty Leader newspaper, as required.

Conclusion – Response accepted.

- (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 and Notes – The following instance of non-compliance with revenue bond requirements was noted:

The City sewer and water bond resolutions require all users to the system, including the City, to be charged for use. All City departments are not charged for sewer and water usage, as required.

The City’s sewer revenue bond/note resolutions require the City to establish, impose, adjust and provide for the collection of rates to be charged to utility customers that produce net operating receipts equal to at least 110% of the principal and interest coming due each fiscal year. The City’s fiscal year net sewer operating receipts of \$141,951 were less than 110% of the \$170,405 of sewer revenue bond principal and interest due during fiscal year 2018.

Recommendation – The City should establish procedures to ensure all City departments are charged for water and sewer usage. Utility rates should be established at a level which produces and maintains net revenues at a level not less than the 110% of the amount of principal and interest on the bonds falling due in the same year as required by the bond resolutions.

Response – The City will establish procedures and install the necessary water meters to charge all City Departments for water and sewer usage. The City will review its rates to make sure it is charging the necessary 110% for the sewer operating receipts.

Conclusion – Response accepted.

- (9) Senior Discount – Section 388.6 of the Code of Iowa states, “A city utility or combined utility system may not provide use or service at a discriminatory rate, except to the city or its agencies, as provided by section 384.91.” Senior discounts were provided on recycling fees by the City Council.

Recommendation – The City is required to establish and apply consistent billing rates to certain types of customers, such residential or commercial. The City Council should implement procedures which ensure nondiscriminatory recycling rates are used for all customers.

City of Tiffin

Schedule of Findings

Year ended June 30, 2018

Response – As of July 1, 2018, the City has eliminated the senior discount for recycling services.

Conclusion – Response accepted.

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following exceptions were noted:

The City's beginning balance, ending balance, receipts and disbursements reported on the Levy Authority Summary do not agree with the City's general ledger.

The amount reported by the City as TIF debt outstanding was overstated by \$798,455.

Recommendation – The City should ensure the cash balances, receipts, disbursements and debt amounts reported on the Levy Authority Summary agree with the City's records.

Response – After consultation with the Iowa Department of Management, the City's reported cash balances, receipts, disbursements and debt amounts have been reconciled with the Annual Urban Report. The Levy Authority Summary now agrees with the City's records.

Conclusion – Response accepted.

City of Tiffin

Staff

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