



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

June 30, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$10,055,351 for the year ended June 30, 2019, a 34.3% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$13,879,811, a 48.6% increase over the prior year. The significant decrease in receipts is due primarily to a decrease in in bonds proceeds. The increase in disbursements is due to increase in disbursements for capital projects.

AUDIT FINDINGS:

Sand reported twelve findings related to the receipt and disbursement of taxpayer funds. They are found on pages 54 through 62 of this report. The findings address issues such as a lack of complete bank and utility reconciliations, disbursements exceeding budgeted amounts and City funds paid to a private non-profit organization for fire protection services and equipment. Sand provided the City with recommendations to address each of the findings.

Six of the findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

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CITY OF TIFFIN

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

JUNE 30, 2019

City of Tiffin



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June 1, 2020

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, 2019. 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 my staff at 515/281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Tiffin

Officials

<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, 2019, 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, 2019, 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

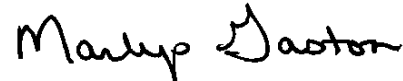
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tiffin's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 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 8 through 14 and 36 through 42, 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 1, 2020 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 1, 2020

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, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 60.0%, or approximately \$6,757,000, from fiscal year 2018 to fiscal year 2019. Property tax increased approximately \$295,346, tax increment financing receipts increased approximately \$200,000, bond proceeds decreased approximately \$6,062,000 and capital grants decreased approximately \$1,459,000.
- Disbursements of the City's governmental activities increased 35.2%, or approximately \$2,026,000. Capital projects, debt service and public safety disbursements increased approximately \$1,395,000, \$445,000, and \$80,000 respectively.
- The City's total cash basis net position decreased 40.4%, or approximately \$3,825,000, from June 30, 2018 to June 30, 2019. Of this amount, the cash basis net position of the governmental activities decreased approximately \$3,579,000 and the cash basis net position of the business type activities decreased approximately \$246,000.

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.

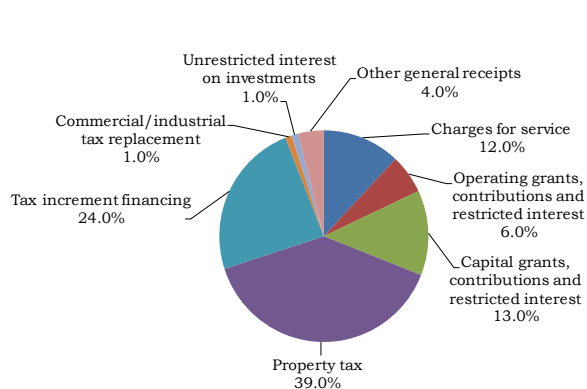
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

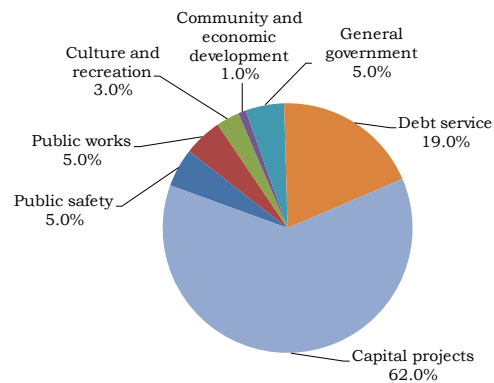
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$7.827 million to approximately \$4.248 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service	\$ 546,509	436,301
Operating grants, contributions and restricted interest	259,526	251,287
Capital grants, contributions and restricted interest	580,285	2,039,784
General receipts:		
Property tax	1,776,992	1,481,646
Tax increment financing	1,077,683	878,133
Commercial/industrial tax replacement	50,859	47,966
Unrestricted interest on investments	33,960	36,731
Bond proceeds	-	6,062,040
Other general receipts	184,141	33,558
Total receipts	4,509,955	11,267,446
Disbursements:		
Public safety	398,275	318,613
Public works	394,219	323,392
Culture and recreation	241,250	235,183
Community and economic development	105,828	112,879
General government	417,120	381,028
Debt service	1,457,507	1,012,253
Capital projects	4,761,188	3,366,353
Total disbursements	7,775,387	5,749,701
Change in cash basis net position before transfers	(3,265,432)	5,517,745
Transfers, net	(313,290)	192
Change in cash basis net position	(3,578,722)	5,517,937
Cash basis net position beginning of year	7,826,809	2,308,872
Cash basis net position end of year	\$ 4,248,087	7,826,809

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 60.0%, or approximately \$6,757,000, from the prior year. The total cost of all programs and services increased approximately \$2,026,000, or 35.2%, with no new programs added this year. The significant decrease in receipts was primarily the result of less proceeds received from the issuance of general obligation bonds and capital grants.

The City decreased property tax rates for fiscal year 2019 an average of .02%. This decrease, and an increase in total assessed valuation raised the City's property tax receipts, including tax increment financing, approximately \$495,000 in fiscal year 2019. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$244,000 next year.

The cost of all governmental activities this year was approximately \$7.775 million compared to approximately \$5.750 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 \$6.389 million because some of the cost was paid by those directly benefiting from the programs (approximately \$547,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$840,000). 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, decreased in fiscal year 2019 from approximately \$2,727,000 to approximately \$1,386,000, principally due to a Department of Transportation RISE grant received in fiscal year 2018 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,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 734,648	652,373
Sewer	860,307	760,747
Recycling	258,604	83,998
General receipts:		
Bond proceeds	3,673,761	2,508,556
Other general receipts	18,076	22,198
Total receipts	<u>5,545,396</u>	<u>4,027,872</u>
Disbursements:		
Water	663,874	531,289
Sewer	5,204,381	2,983,671
Recycling	236,169	73,253
Total disbursements	<u>6,104,424</u>	<u>3,588,213</u>
Change in cash basis net position before transfers	(559,028)	439,659
Transfers, net	<u>313,290</u>	<u>(192)</u>
Change in cash basis net position	(245,738)	439,467
Cash basis net position beginning of year	<u>1,637,342</u>	<u>1,197,875</u>
Cash basis net position end of year	<u>\$ 1,391,604</u>	<u>1,637,342</u>

Total business type activities receipts for the fiscal year were approximately \$5,545,000 compared to approximately \$4,028,000 last year, a 37.7% increase. The increase is primarily due to bond proceeds received in the current year of \$3,673,761. Total disbursements for the fiscal year increased to approximately \$6,104,000 compared to approximately \$3,588,000 last year, an increase of 70.1%. 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 \$4,248,087, a decrease of approximately \$3,579,000 from last year's total of \$7,826,809. 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 \$988,978 over the prior year to \$2,326,451. Receipts increased approximately \$458,000, or 29.5%, and disbursements increased approximately \$56,000, or 5.7%. The increase in the cash balance is primarily due to an increase in property tax and licenses and permit receipts for building and construction, and an increase in miscellaneous receipts for a deposit received and held in escrow per a property development agreement.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$95,326 from the prior year to \$163,904. Road use tax receipts were similar to the prior year. Disbursements increased \$56,638 over the prior year to \$348,122, and transfers to the Capital projects fund decreased \$30,475 in the current year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$943,597 from the prior year to \$858,245. Tax increment financing receipts increased by \$199,550 in the current year. Disbursements for developer agreements increased by \$43,541 in the current year and transfers to the Debt Service Fund for payment of TIF debt and Capital Projects to eliminate deficit balances increased by \$163,227 and \$ 1,015,065 respectively in the current year.
- The Debt Service Fund cash balance decreased \$75,473 from the previous year to \$116,406. Receipts, transfers from the Urban Renewal Tax Increment Fund and disbursements increased \$86,594, \$163,227 and \$445,254, respectively, over the prior year.
- The Capital Projects Fund cash balance decreased \$3,448,745 from the prior year to \$518,041. The decrease was primarily due to intergovernmental receipts for the Department of Transportation RISE grant decreasing by \$1,651,259. In addition, disbursements increased \$1,394,835 for capital projects, including street and park projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$238,062, or 34.6%, to \$926,526. Operating receipts increased \$75,871, or 11.3% over the prior year, primarily due to an increase in the number of customers. Operating disbursements increased \$131,965, or 25.9%, due to increased utility usage costs for the water treatment plant construction project.

- The Enterprise, Sewer Fund cash balance decreased \$506,235 to \$400,629. Revenue bond proceeds of \$3,673,751 were received to help fund a sewer construction project, an increase of \$1,385,205 over the prior year. In addition, revenue for charges for services increased \$99,560, or approximately 13.1%, over the prior year due to an increase in the number of customers. Disbursements related to sewer construction projects were \$4,389,318 in fiscal year 2019, an increase of \$2,200,546 over the prior year

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 28, 2019 and resulted in an increase in budgeted receipts and disbursements. The amendment increased budgeted receipts for property tax, licenses and permits, use of money and property, intergovernmental receipts, charges for services and miscellaneous. Increases in budgeted disbursements were made for building inspections, general legal and technology expenses, roads and the wastewater treatment plant project.

The City’s receipts were \$101,752 more than budgeted and total disbursements were \$2,035,920 less than amended budget. The capital projects function was \$1,987,420 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, debt service and business type activities functions prior to the budget amendment. Even with the budget amendment, the City exceeded the amounts budgeted in debt service and business type activities functions by \$30,000 and \$37,558 respectively for the year ended June 30, 2019.

DEBT ADMINISTRATION

At June 30, 2019, the City had \$19,284,162 of bonds outstanding, compared to \$17,111,401 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2019	2018
General obligation bonds	\$ 12,160,000	13,240,000
Revenue bonds	7,124,162	3,871,401
Total	\$ 19,284,162	17,111,401

Debt increased as a result of issuing revenue bonds for a sewer construction project.

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 debt of \$12,316,000, including \$156,000 for developer agreements, is below its constitutional debt limit of approximately \$17.5 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 2020 budget, tax rates and fees charged for various City activities.

The budget for the capital projects function is \$9,120,000 for fiscal year 2020 to complete multiple projects.

The budget for the business type activities function is \$3,468,221 for fiscal year 2020 versus a final amended amount of \$6,066,866 in fiscal year 2019 due to projects to expand the infrastructure winding down.

The budget for other financing sources is expected to be \$7,421,700 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 \$1,024,072 by the close of fiscal year 2020.

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.

Basic Financial Statements

City of Tiffin

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 398,275	449,452	1,015	-
Public works	394,219	-	251,525	-
Culture and recreation	241,250	24,654	-	-
Community and economic development	105,828	-	-	-
General government	417,120	72,403	6,986	-
Debt service	1,457,507	-	-	-
Capital projects	4,761,188	-	-	580,285
Total governmental activities	7,775,387	546,509	259,526	580,285
Business type activities:				
Water	663,874	734,648	-	-
Sewer	5,204,381	860,307	-	-
Recycling	236,169	258,604	-	-
Total business type activities	6,104,424	1,853,559	-	-
Total	\$ 13,879,811	2,400,068	259,526	580,285
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				
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
52,192	-	52,192
(142,694)	-	(142,694)
(216,596)	-	(216,596)
(105,828)	-	(105,828)
(337,731)	-	(337,731)
(1,457,507)	-	(1,457,507)
(4,180,903)	-	(4,180,903)
(6,389,067)	-	(6,389,067)
-	70,774	70,774
-	(4,344,074)	(4,344,074)
-	22,435	22,435
-	(4,250,865)	(4,250,865)
(6,389,067)	(4,250,865)	(10,639,932)
1,352,051	-	1,352,051
424,941	-	424,941
1,077,683	-	1,077,683
50,859	-	50,859
33,960	2,948	36,908
-	3,673,761	3,673,761
184,141	15,128	199,269
(313,290)	313,290	-
2,810,345	4,005,127	6,815,472
(3,578,722)	(245,738)	(3,824,460)
7,826,809	1,637,342	9,464,151
\$ 4,248,087	1,391,604	5,639,691
163,904	-	163,904
974,651	13,483	988,134
518,041	215,385	733,426
265,040	-	265,040
2,326,451	1,162,736	3,489,187
\$ 4,248,087	1,391,604	5,639,691

City of Tiffin

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

As of and for the year ended June 30, 2019

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 1,243,206	-	-
Tax increment financing	-	-	1,077,683
Other city tax	1,803	-	-
Licenses and permits	468,363	-	-
Use of money and property	21,319	-	1,152
Intergovernmental	27,946	251,525	-
Charges for service	34,393	-	-
Miscellaneous	214,034	1,271	-
Total receipts	2,011,064	252,796	1,078,835
Disbursements:			
Operating:			
Public safety	369,481	-	-
Public works	-	348,122	-
Culture and recreation	229,969	-	-
Community and economic development	48,289	-	57,458
General government	388,768	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,036,507	348,122	57,458
Excess (deficiency) of receipts over (under) disbursements	974,557	(95,326)	1,021,377
Other financing sources (uses):			
Sale of property	14,421	-	-
Transfers in	-	-	-
Transfers out	-	-	(1,964,974)
Total other financing sources (uses)	14,421	-	(1,964,974)
Change in cash balances	988,978	(95,326)	(943,597)
Cash balances beginning of year	1,337,473	259,230	1,801,842
Cash balances end of year	\$ 2,326,451	163,904	858,245
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	163,904	-
Debt service	-	-	858,245
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	2,326,451	-	-
Total cash basis fund balances	\$ 2,326,451	163,904	858,245

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
424,941	-	107,042	1,775,189
-	-	-	1,077,683
-	-	-	1,803
-	-	-	468,363
-	30,383	-	52,854
7,184	492,983	2,323	781,961
-	-	-	34,393
-	87,302	681	303,288
432,125	610,668	110,046	4,495,534
-	-	28,794	398,275
-	-	46,097	394,219
-	-	11,281	241,250
-	-	81	105,828
-	-	28,352	417,120
1,457,507	-	-	1,457,507
-	4,761,188	-	4,761,188
1,457,507	4,761,188	114,605	7,775,387
(1,025,382)	(4,150,520)	(4,559)	(3,279,853)
-	-	-	14,421
949,909	1,015,065	-	1,964,974
-	(313,290)	-	(2,278,264)
949,909	701,775	-	(298,869)
(75,473)	(3,448,745)	(4,559)	(3,578,722)
191,879	3,966,786	269,599	7,826,809
116,406	518,041	265,040	4,248,087
-	-	-	163,904
116,406	-	-	974,651
-	518,041	-	518,041
-	-	265,040	265,040
-	-	-	2,326,451
116,406	518,041	265,040	4,248,087

City of Tiffin

City of Tiffin

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

As of and for the year ended June 30, 2019

	Enterprise			
	Water	Sewer	Nonmajor Recycling	Total
Operating receipts:				
Charges for service	\$ 734,648	860,307	258,604	1,853,559
Use of money and property	1,474	1,474	-	2,948
Miscellaneous	9,169	5,959	-	15,128
Total operating receipts	745,291	867,740	258,604	1,871,635
Operating disbursements:				
Business type activities	641,774	296,775	236,169	1,174,718
Excess of operating receipts over operating disbursements	103,517	570,965	22,435	696,917
Non-operating receipts (disbursements):				
Revenue bond proceeds	-	3,673,761	-	3,673,761
Debt service	(22,100)	(518,288)	-	(540,388)
Capital projects	-	(4,389,318)	-	(4,389,318)
Net non-operating receipts (disbursements)	(22,100)	(1,233,845)	-	(1,255,945)
Excess of receipts over disbursements	81,417	(662,880)	22,435	(559,028)
Transfers in	156,645	156,645	-	313,290
Change in cash balances	238,062	(506,235)	22,435	(245,738)
Cash balances beginning of year	688,464	906,864	42,014	1,637,342
Cash balances end of year	\$ 926,526	400,629	64,449	1,391,604
Cash Basis Fund Balances				
Restricted for debt service	\$ 1,808	11,675	-	13,483
Restricted for capital projects	215,385	-	-	215,385
Unrestricted	709,333	388,954	64,449	1,162,736
Total cash basis fund balances	\$ 926,526	400,629	64,449	1,391,604

See notes to financial statements.

City of Tiffin

Notes to Financial Statements

June 30, 2019

(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.

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, 2019, the City exceeded the amounts budgeted in the public works, general government, debt service, capital projects and business type activities functions prior to the budget amendment. Even with the budget amendment, the City exceeded the amounts budgeted in the debt service and business type activities functions by \$30,000 and \$37,558 respectively.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2019 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
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	1,055,000	240,383	-	-	1,055,000	240,383
2025-2029	4,600,000	738,060	-	-	4,600,000	738,060
2030-2034	1,910,000	222,220	-	-	1,910,000	222,220
2035-2038	300,000	30,600	-	-	300,000	30,600
Total	\$ 12,160,000	2,466,148	85,000	3,780	12,245,000	2,469,928

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, 2019, the City paid principal of \$460,000 and interest of \$68,005 on the bonds. The outstanding principal balance at June 30, 2019 was \$2,990,000.

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, 2019, the City paid principal of \$315,000 and interest of \$101,605 on the bonds. The outstanding principal balance at June 30, 2019 was \$3,235,000.

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, 2019, the City paid principal of \$275,000 and interest of \$154,830 on the bonds. The outstanding principal balance at June 30, 2019 was \$4,865,000.

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, 2019, the City paid principal of \$30,000 and interest of \$50,967 on the bonds. The outstanding principal balance at June 30, 2019 was \$1,070,000.

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. During fiscal year 2019, the City drew down \$3,672,754 on the bond. At June 30, 2019, the City had drawn down \$5,338,261 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, 2019, the City paid principal of \$268,000 and interest of \$75,297 on the bonds under a preliminary repayment schedule.

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 2019, the City drew down \$1,007 on the bond. At June 30, 2019, the City had drawn down \$2,159,901 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, 2019, the City paid principal of \$96,000 and interest of \$41,325 on the bonds under a preliminary repayment schedule.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,338,261 of sewer revenue bonds issued in May 2018, \$2,159,901 of sewer revenue bonds issued in September 2017, and \$521,315 of sewer revenue bonds issued in September 1999.

Annual principal and interest payments on the bonds are expected to require less than 91% of net receipts. There is no remaining principal and interest to be paid as of June 30, 2019 on the September 1999 bonds. For the current year, the principal and interest paid on the sewer bonds and total customer net receipts were \$518,270 and \$570,965, 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 22% of net receipts. The total principal and interest remaining to be paid on the bonds is \$88,780. For the current year, principal and interest paid and total customer net receipts were \$21,838 and \$103,517, 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.

(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 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City’s contributions to IPERS for the year ended June 30, 2019 totaled \$52,429.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$400,917 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City’s proportion was 0.006335%, which was an increase of 0.000578% over its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$54,321, \$106,105 and \$66,791, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability	\$ 680,437	400,917	166,442

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, and compensatory time 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, 2019, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 29,500
Sick leave	8,000
Compensatory time	3,700
Total	<u>\$ 41,200</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Urban Renewal Tax Increment	\$ 949,909
Capital Projects Fund	Special Revenue: Urban Renewal Tax Increment	1,015,065
Enterprise: Water	Capital Projects	156,645
Enterprise: Sewer	Capital Projects	156,645
		<u>\$ 2,278,264</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) 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, 2019 was \$57,458. The outstanding balance of the agreements at June 30, 2019 was \$1,207,000.

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.

(9) 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, 2019, \$20,434 of property tax was diverted from the City under the urban renewal and economic development agreements.

(10) Construction Commitments

The City has entered into construction contracts totaling \$18,277,375 for streets and wastewater treatment plant improvement projects. As of June 30, 2019, \$11,850,572 has been paid on the contracts. The remaining \$6,426,803 will be paid as work progresses.

(11) Subsequent Events

In August 2019, the City issued \$4,500,000 of general obligation corporate purpose bonds, series 2019A for the purpose of paying the cost of constructing street, storm water drainage, sidewalk, sanitary sewer and water system improvements and acquiring and installing street lighting, signalization and signage.

(12) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the City of Tiffin, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

City of Tiffin

Other Information

City of Tiffin

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 1,775,189	-	1,775,189
Tax increment financing	1,077,683	-	1,077,683
Other city tax	1,803	-	1,803
Licenses and permits	468,363	-	468,363
Use of money and property	52,854	2,948	55,802
Intergovernmental	781,961	-	781,961
Charges for service	34,393	1,853,559	1,887,952
Miscellaneous	303,288	15,128	318,416
Total receipts	<u>4,495,534</u>	<u>1,871,635</u>	<u>6,367,169</u>
Disbursements:			
Public safety	398,275	-	398,275
Public works	394,219	-	394,219
Culture and recreation	241,250	-	241,250
Community and economic development	105,828	-	105,828
General government	417,120	-	417,120
Debt service	1,457,507	-	1,457,507
Capital projects	4,761,188	-	4,761,188
Business type activities	-	6,104,424	6,104,424
Total disbursements	<u>7,775,387</u>	<u>6,104,424</u>	<u>13,879,811</u>
Excess (deficiency) of receipts over (under) disbursements	(3,279,853)	(4,232,789)	(7,512,642)
Other financing sources, net	(298,869)	3,987,051	3,688,182
Excess of receipts and other financing sources over disbursements and other financing uses	(3,578,722)	(245,738)	(3,824,460)
Balances beginning of year	7,826,809	1,637,342	9,464,151
Balances end of year	<u>\$ 4,248,087</u>	<u>1,391,604</u>	<u>5,639,691</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
1,718,952	1,721,248	53,941
1,144,254	1,144,254	(66,571)
57,442	57,442	(55,639)
376,064	451,064	17,299
36,637	49,637	6,165
837,587	913,602	(131,641)
1,588,920	1,768,920	119,032
115,250	362,754	(44,338)
<u>5,875,106</u>	<u>6,468,921</u>	<u>(101,752)</u>
373,684	403,684	5,409
323,660	400,008	5,789
273,508	274,523	33,273
170,511	170,511	64,683
375,024	424,024	6,904
1,375,940	1,427,507	(30,000)
5,676,000	6,748,608	1,987,420
5,251,712	6,066,866	(37,558)
<u>13,820,039</u>	<u>15,915,731</u>	<u>2,035,920</u>
(7,944,933)	(9,446,810)	1,934,168
4,000,000	4,000,000	(311,818)
(3,944,933)	(5,446,810)	1,622,350
4,320,358	4,320,358	5,143,793
<u>375,425</u>	<u>(1,126,452)</u>	<u>6,766,143</u>

City of Tiffin

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,095,692. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the debt service and business type activities functions.

City of Tiffin

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

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

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.006335%	0.005757%	0.005342%	0.003621%	0.004056%
City's proportionate share of the net pension liability	\$ 401	383	336	179	161
City's covered payroll	\$ 476	426	383	267	267
City's proportionate share of the net pension liability as a percentage of its covered payroll	84.24%	89.91%	87.73%	67.04%	60.30%
IPERS' net position as a percentage of the total pension liability	83.62%	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 Eight Years
(In Thousands)

Other Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 52	43	38	34
Contributions in relation to the statutorily required contribution	(52)	(43)	(38)	(34)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 555	476	426	383
Contributions as a percentage of covered payroll	9.37%	9.03%	8.92%	8.88%

NOTE: 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.

2015	2014	2013	2012
24	24	19	9
(24)	(24)	(19)	(9)
-	-	-	-
267	267	220	125
8.99%	8.99%	8.64%	7.20%

City of Tiffin

Notes to Other Information – Pension Liability

Year ended June 30, 2019

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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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, 2014. 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, 2019

	Special Revenue			Total
	Employee Benefits	Local Option Sales Tax	FEMA	
Receipts:				
Property tax	\$ 107,042	-	-	107,042
Intergovernmental	2,323	-	-	2,323
Miscellaneous	681	-	-	681
Total receipts	110,046	-	-	110,046
Disbursements:				
Operating:				
Public safety	28,794	-	-	28,794
Public works	46,097	-	-	46,097
Cultures and recreation	11,281	-	-	11,281
Community and economic development	81	-	-	81
General government	28,352	-	-	28,352
Total disbursements	114,605	-	-	114,605
Excess of disbursements over receipts	(4,559)	-	-	(4,559)
Cash balances beginning of year	159,727	55,598	54,274	269,599
Cash balances end of year	155,168	55,598	54,274	265,040
Cash Basis Fund Balances				
Restricted for other purposes	\$ 155,168	55,598	54,274	265,040

See accompanying independent auditor's report.

City of Tiffin
Schedule of Indebtedness
Year ended June 30, 2019

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	2,159,901
Sewer	May 11, 2018 *	1.75	5,338,261
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
3,450,000	-	460,000	2,990,000	68,005
3,550,000	-	315,000	3,235,000	101,605
5,140,000	-	275,000	4,865,000	154,830
1,100,000	-	30,000	1,070,000	50,967
\$ 13,240,000	-	1,080,000	12,160,000	375,407
37,000	-	37,000	-	648
105,000	-	20,000	85,000	1,838
2,063,894	1,007	96,000	1,968,901	36,159
1,665,507	3,672,754	268,000	5,070,261	65,885
\$ 3,871,401	3,673,761	421,000	7,124,162	104,530

City of Tiffin
Bond Maturities
June 30, 2019

Year Ending June 30,	General Obligation					
	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
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>\$ 2,990,000</u>		<u>\$ 3,235,000</u>		<u>\$ 4,865,000</u>

Year Ending June 30,	Revenue Bond	
	Water	
	Issued July 9, 2003	
	Interest	
	Rates	Amount
2020	1.75%	\$ 20,000
2021	1.75	21,000
2022	1.75	22,000
2023	1.75	22,000
Total		<u>\$ 85,000</u>

See accompanying independent auditor's report.

Bonds

Series 2018A

Issued April 4, 2018

Interest

Rates	Amount	Total
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>\$ 1,070,000</u>	<u>12,160,000</u>

City of Tiffin

City of Tiffin

Schedule of Receipts by Source and Disbursements by Function

All Governmental Funds

For the Last Three Years

	2019	2018	2017
Receipts:			
Property tax	\$ 1,775,189	1,481,646	1,185,600
Tax increment financing	1,077,683	878,133	852,963
Other city tax	1,803	-	-
Licenses and permits	468,363	332,965	261,037
Use of money and property	52,854	80,186	47,799
Intergovernmental	781,961	2,308,217	414,697
Charges for service	34,393	37,682	30,110
Miscellaneous	303,288	69,257	224,941
Total	<u>\$ 4,495,534</u>	<u>5,188,086</u>	<u>3,017,147</u>
Disbursements:			
Operating:			
Public safety	\$ 398,275	318,613	302,645
Public works	394,219	323,393	302,937
Culture and recreation	241,250	235,183	250,946
Community and economic development	105,828	112,878	50,890
General government	417,120	381,028	372,105
Debt service	1,457,507	1,012,253	942,760
Capital projects	4,761,188	3,366,353	2,206,318
Total	<u>\$ 7,775,387</u>	<u>5,749,701</u>	<u>4,428,601</u>

See accompanying independent auditor's report.



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Rob Sand
Auditor of State

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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 1, 2020. 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 significant deficiencies.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tiffin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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, 2019 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.

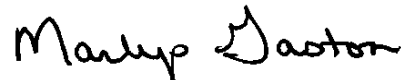
The City of Tiffin's Responses to the Findings

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 1, 2020

City of Tiffin

Schedule of Findings

Year ended June 30, 2019

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, 2019 and determined the bank balance was \$10,233 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 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, 2019

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 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, misstatement 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 fiscal year, receipts were recorded in the accounting records prior to the date they were electronically deposited in the City’s bank account. The City recorded property tax receipts received in July 2019 in the accounting records as received June 30, 2019. An adjustment was subsequently made by the City to properly exclude these amounts from the financial statements for fiscal year end June 30, 2019.

Cause – Policies have not been established and procedures have not been implemented to ensure proper posting and dating of receipts 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 all receipts are properly posted in the proper fiscal year.

Response – The City will do a better job to properly record its receipts.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2019

(D) Journal Entries

Criteria – An effective internal control system provides for internal controls related to preparation of journal entries by all employees. Supporting documentation for all journal entries supports the accuracy of the entries by the employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Supporting documentation was not maintained for journal entries made for corrections or balancing purposes. In addition, journal entries for recording utilities and other electronic transactions show no evidence of independent review.

Cause – City policies do not require, and procedures have not been designed to provide supporting documentation for all journal entries and to document the review and approval of journal entries.

Effect – Lack of supporting documents and independent approval of transactions could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – To strengthen controls, journal entries should be supported, and the support should be provided to the reviewer for approval by an independent person.

Response – The City will provide the additional supporting documentation to an independent individual who will review and approve the journal entries.

Conclusion – Response accepted.

(E) Payroll Rates

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

Condition – Annual salary increase were approved based upon a percentage and the actual approved wages were not documented in the City Council minutes.

Cause – The City has not implemented procedures to ensure payroll is approved and documented at an actual wage rate.

Effect – Using a percentage rather than per hour rate makes the actual hourly rates less transparent and provides an opportunity for errors in the actual rate approved which could result in unauthorized, unapproved or incorrect increases in pay.

Recommendation – Salaries and wages of employees should be stated in the City Council minutes as payroll rates.

Response – Payroll increases will be documented in future City Council minutes.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2019

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2019

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the public works, general government, debt service and business type activities functions prior to the budget amendment. Also, actual disbursements exceeded the amounts in the budget for debt service and business type activities functions at year end. 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 – 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 the 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:

Name, Title and Business Connection	Transaction Description	Amount
Ann Ross, Utility Billing Clerk	Cleaning services	\$ 5,363

The transactions with Ann Ross may represent a conflict of interest since the transaction exceeded \$2,500 before May 3, 2019 and were not competitively bid in accordance Chapter 362.5(3)(j) of the Code of Iowa.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – Ann Ross is no longer a City employee.

Conclusion – Response accepted.

- (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, 2019

- (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 a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. In addition, the minutes for one City Council meeting, of four tested, were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish a summary of receipts, as required. Also, the City should ensure City Council meeting minutes are signed as required.

Response – The City will comply with the Code of Iowa requirements to publish a summary of receipts and sign all City Council meeting minutes.

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 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.

Recommendation – The City should establish procedures to ensure all City departments are charged for water and sewer usage.

Response – As opportunities become available to add meters to our current municipal buildings, we will work towards compliance.

Conclusion – Response accepted.

- (9) 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 ending balance 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 \$951,293.

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

Schedule of Findings

Year ended June 30, 2019

- (10) Tax Increment Financing (TIF) – Chapter 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Urban Renewal Tax Increment (TIF) Fund shall not be used for any purpose except for the payment for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low to moderate income (LMI) assistance.

During the year ended June 30, 2019 the City transferred \$1,015,065 from the Special Revenue, Urban Renewal Tax Increment Fund (TIF Fund) to the Capital Projects Funds to resolve the deficit balances these funds. These transfers do not represent TIF obligations, accordingly, are not allowable use of tax increment financing receipts.

Recommendation – The City should consult legal counsel to determine the disposition of the use of TIF receipts to eliminate fund deficits.

Response – We believe general obligation proceeds, which were certified for payment from TIF, were not transferred to the capital projects funds when the debt was issued and TIF receipts were not transferred into the debt service fund to pay the debt. We are continuing to research this issue and will consult with our bonding attorney, Dorsey and Whitney.

Conclusion – Response acknowledged. The City should return the \$1,015,065 to the TIF Fund until a determination is made, through consultation with legal counsel, this is an appropriate use of the TIF receipts.

- (11) Tiffin Fire Association

Background:

Chapter 364.16 of the Code of Iowa requires the City to provide for the protection of life and property against fire. This section also states in part, “A City has the same governmental immunity outside its corporate limits when providing fire protection as when operating within the corporate limits.” The City’s Code of Ordinances states, “Pursuant to Chapter 28E of the Code of Iowa, the City has entered into a contract agreement with Tiffin Fire Association for fire protection and prevention within the City.”

The Tiffin Fire Association (Non-profit Fire Department) is a private non-profit organization established under IRS Code 504 whose purpose, as documented in its by-laws, is to “foster and advance the delivery of emergency fire and medical care to the people of the Tiffin Fire District, and to those who pass through, and Mutual Aid as requested by the Johnson County Mutual Aid Association and the Johnson County Sheriff’s Office.”

On April 24, 2008, the City passed a resolution to enter into an Agreement and Contract for Fire Protection with the Tiffin Fire Association. The resolution states the agreement is entered into in accordance with Chapter 28E of the Code of Iowa. The agreement does not create a separate legal entity but provides the Fire Association is to “furnish fire protection and other emergency services...in the described response area.” Pursuant to the agreement, the Association will own or lease, maintain, house and staff the fire protection and other emergency equipment used under this agreement. Also, the Association Board shall determine the annual budget for the operation of the department and for all major expenses and purchases of new fire vehicles and equipment and the City Clerk shall transmit all tax monies resulting from the fire protection levies to pay costs agreed to under the contract. Under the terms of the agreement, the agreement may be extended for periods of one year at a time by resolutions of the City Council made at least thirty days prior to March 1.

City of Tiffin

Schedule of Findings

Year ended June 30, 2019

Relevant statutes:

Chapter 28E.4 of the Code of Iowa states “Any public agency of this state may enter into an agreement with one or more public or private agencies for joint or cooperative action pursuant to the provisions of this chapter, including the creation of a separate entity to carry out the purpose of the agreement. Appropriate action by ordinance, resolution or otherwise pursuant to law of the governing bodies involved shall be necessary before any such agreement may enter into force.”

Chapter 28E.7 of the Code of Iowa states in part, “No agreement made pursuant to this chapter shall relieve any public agency of any obligation or responsibility imposed upon it by law...”

The Constitution of the State of Iowa establishes public funds criteria and requires that public funds may not be used for private benefit.

We noted the following regarding the agreement and the City’s arrangement with the Fire Association:

- (a) The agreement and contract were not extended by City Council resolution for the fiscal year ended 2019, as required.

During fiscal year 2019, the City made monthly dues payments to the Fire Association totaling \$153,749. In addition, during fiscal year 2019, the City paid \$80,967 in principal and interest on General Obligation series 2018A bonds issued for the purpose of financing \$1,072,608 of fire equipment donated to the Fire Association. These payments were not made under an approved agreement.

- (b) Official Attorney General Opinions have stated on at least six occasions since 1972 that, “Political subdivisions and municipalities, including cities, counties, schools, and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support “public services” which are the same or similar to the services provided by government, the private organizations are not subject to the same degree of public accountability and oversight as governmental entities.”

Private, non-profit organizations are not subject to audit requirements and, because the 28E agreement did not create a legally separate 28E entity (which would be subject to audit), the funds paid by the City to the Fire Association under the 28E agreement are not subject to the same scrutiny/audit requirements as the City.

In addition, the Agreement with the Fire Association allows the Association Board to set the annual budget for the operation of the department, and for all major expenses and purchases of new fire vehicles and equipment, and requires the City to transmit all tax monies resulting from the fire protection levies to pay costs agreed to under the contract. This arrangement creates an inappropriate situation where the City is issuing a blank check to the Association, rather than paying for services as they are performed.

City of Tiffin

Schedule of Findings

Year ended June 30, 2019

The 28E agreement between the City and the Fire Association does not relieve the City Council of its responsibilities or obligation to ensure the public funds provided to the Association continue to be used for the purposes set out in the agreement and are not used in violation of the Iowa Constitution. The 28E agreement does not include provisions for continued oversight by the City Council of the public funds provided to the Fire Association.

- (c) Organizations established as 504 domestic non-profit corporations are typically created to further charitable pursuits, not to provide a service or act as a vendor providing a service such as fire protection. Legally separate non-profit fire associations typically exist to support a City government in carrying out its responsibility to provide fire protection. These non-profit associations provide this support by holding various fund raisers and collecting donations to help provide funds to purchase equipment and other items needed by the City to carry out its duties. Funds in these situations flow from the non-profit organization to the City thereby leaving the donations (collected from taxpayers) from the Association and other public funds under the control and oversight of the governmental body and subject to public accountability.

The arrangement the City has with the Non-profit Fire Association to provide fire protections services, and not just to support the City in providing that service is unusual. It is unclear whether a non-profit organization can be established for the noted purpose or whether the non-profit organization is afforded the same legal immunities in providing the service as a government is.

Recommendation – The City should consult legal counsel to determine the validity of the City’s arrangement with the non-profit Fire Association, a 504 domestic non-profit organization, to provide fire protection services, including whether the organization has the proper legal immunities for providing service, i.e., those same immunities afforded a government providing fire services. Chapter 28E does not directly state whether immunity for fire protection services passes to a non-municipality contracting to provide those services. However, at 28E.17(2) it does state that immunity is passed on for transportation services. Under standard statutory construction rules, this suggests that immunity is not passed for non-transportation services.

In addition, consideration should be given to whether the current arrangement is in the best interest of taxpayers given the arrangement transfers all control over the public funds used to support the service to an organization which is not subject to oversight or public accountability.

If the arrangement is determined to be appropriate, the 28E agreement should be modified to include provisions/requirements for the City Council to provide oversight over the Association’s financial activities, including ensuring the funds are spent for the purposes set out in the agreement and not in violation of the Iowa Constitution. The agreement can include a requirement the Fire Association be independently audited by a CPA annually.

In addition, the City should not simply turn all taxpayer dollars over to the Association to spend as the Association sees fit. Again, if the arrangement is determined to be appropriate, the City should reimburse the Association based on invoices that detail the specific expenditures being invoiced. The City should retain the ability to review all Association expenditures and determine their appropriateness prior to payment of the invoices.

City of Tiffin

Schedule of Findings

Year ended June 30, 2019

The 28E agreement should be approved annually by City Council resolution.

Response – The City will consult its legal counsel to determine the validity of the City’s arrangement with the Tiffin Fire Association to provide fire protection services.

Conclusion – Response acknowledged. If the arrangement is determined to be valid, the City should ensure the contract with the Fire Association is renewed annually through City Council resolution and the City should establish procedures to ensure continued oversight of the public funds provided to the Association.

City of Tiffin

Staff

This audit was performed by:

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