



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ November 22, 2010

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Auditor of State David A. Vaudt today released an audit report on the City of Tiffin, Iowa.

The City's receipts totaled \$2,768,500 for the year ended June 30, 2009. The receipts included \$408,905 in property tax, \$1,067,966 from tax increment financing, \$734,754 from charges for service, \$85,625 from operating grants, contributions and restricted interest, \$366,114 from capital grants, contributions and restricted interest, \$33,817 from unrestricted interest on investments and \$71,319 from other general receipts.

Disbursements for the year totaled \$2,651,053, and included \$910,684 for capital projects, \$461,580 for public works and \$189,114 for public safety. Also, disbursements for business type activities totaled \$657,565.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at: <http://auditor.iowa.gov/reports/0921-0490-B00F.pdf>.

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CITY OF TIFFIN

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

JUNE 30, 2009

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City of Tiffin

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Royce Phillips	Mayor	Jan 2011
Mike Gericke	Council Member	Jan 2010
Mark Petersen	Council Member	Jan 2010
John Wright	Council Member	Jan 2010
Chris Ball	Council Member	Jan 2013
Jim Bartels	Council Member	Jan 2013
Ruth Demuth	Clerk	Jan 2011
Steve Greenleaf	Attorney	Annual Appointment

City of Tiffin



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Tiffin's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

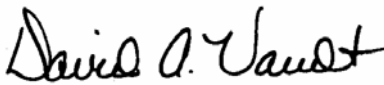
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tiffin as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

The City's General Fund deficit increased to \$91,340 at June 30, 2009, a decrease in the General Fund balance of \$438,307 during the four year period since the City was last audited for the year ended June 30, 2005. The deficit is approximately 20% of the City's recurring General Fund receipts of \$435,030 during the year ended June 30, 2009. The City's Special Revenue, Road Use Tax Fund deficit increased to \$419,907 at June 30, 2009, a decrease in the Special Revenue, Road Use Tax Fund balance of \$469,823 during the four year period since the City was last audited for the year ended June 30, 2005. The deficit is approximately 475% of the City's Special Revenue, Road Use Tax Fund receipts of \$88,314 during the year ended June 30, 2009. The City has remaining Constitutional debt capacity and opportunities for additional tax levy authority. The City has stated it would investigate alternatives to eliminate these deficits.

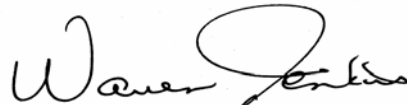
In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2010 on our consideration of the City of Tiffin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2010

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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

2009 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased \$61,257, due primarily to increased tax increment financing receipts and project reimbursements.
- The cash basis net assets of the City's business type activities increased \$56,190, mainly due to increased water and sewer receipts and water development fees.
- The City's total cash basis net assets increased 7.1%, or \$117,447, from June 30, 2008 to June 30, 2009 due, in part, to increases in water and sewer receipts.

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 Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

Other 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 Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets 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, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

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

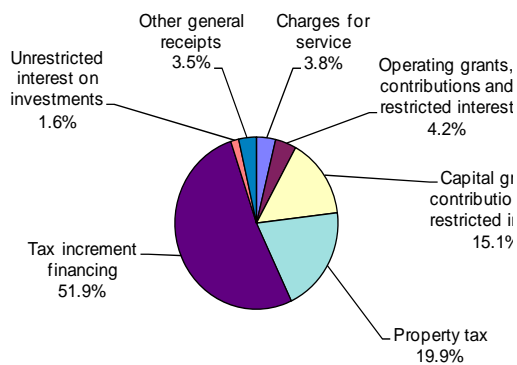
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

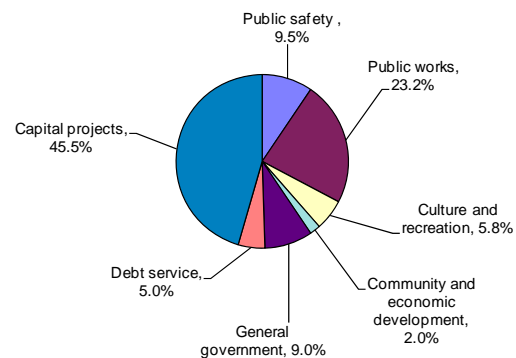
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$895,256 to \$956,513. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2009
Receipts:	
Program receipts:	
Charges for service	\$ 78,400
Operating grants, contributions and restricted interest	85,625
Capital grants, contributions and restricted interest	309,574
General receipts:	
Property tax	408,905
Tax increment financing	1,067,966
Unrestricted interest on investments	32,956
Other general receipts	71,319
Total receipts	<u>2,054,745</u>
Disbursements:	
Public safety	189,114
Public works	461,580
Culture and recreation	115,245
Community and economic development	39,473
General government	178,616
Debt service	98,776
Capital projects	910,684
Total disbursements	<u>1,993,488</u>
Change in cash basis net assets	61,257
Cash basis net assets beginning of year	<u>895,256</u>
Cash basis net assets end of year	<u>\$ 956,513</u>

Receipts by Source



Disbursements by Function



INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tiffin completed the year, its governmental funds reported a combined fund balance of \$956,513, an increase of \$61,257 above last year’s total of \$895,256. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$195,115 from the prior year to a deficit balance of \$91,340.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$214,358 to \$1,286,962. The increase was due to tax increment financing collections for projects in the next fiscal year.
- The Debt Service Fund cash balance increased \$87,606 to \$180,798. The increase was due primarily to property tax levied for payment of general obligation bond principal and interest which were paid from the Enterprise, Water and Sewer Funds. Water general obligation bonds were paid with TIF funds for a two year period.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2009</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 371,356
Sewer	241,740
Recycling	43,258
Capital grants, contributions and restricted interest	56,540
General receipts:	
Unrestricted interest on investments	861
Total receipts	<u>713,755</u>
Disbursements:	
Water	373,048
Sewer	246,697
Recycling	37,820
Total disbursements	<u>657,565</u>
Change in cash basis net assets	56,190
Cash basis net assets beginning of year	<u>753,129</u>
Cash basis net assets end of year	<u>\$ 809,319</u>

- The Water Fund cash balance increased \$55,161 to \$524,171 during the fiscal year.
- The Sewer Fund cash balance decreased \$4,409 to \$283,096 during the fiscal year.

BUDGETARY HIGHLIGHTS

The City's receipts were \$198,949 less than budgeted. This was primarily due to a decrease in licenses and permits and grant funds not received in the fiscal year but received in the following year.

Actual disbursements for the capital projects, debt service and community and economic development functions were \$689,316, \$174,224 and \$29,527, respectively, less than budgeted. This was primarily due to the City not starting multiple planned capital projects.

The City exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and business type activities functions by \$41,414, \$117,080, \$43,445, \$39,016 and \$90,565, respectively, for the year ended June 30, 2009, primarily due to the City not maintaining its accounting system in a format to facilitate fund accounting and the tracking of budgeted disbursements.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$2,359,927 in notes, bonds and other long-term debt outstanding, compared to \$2,437,500 at June 30, 2008.

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation bonds	\$1,617,000	1,784,000
Revenue notes	570,000	610,000
Lease purchase agreements	172,927	43,500
Total	\$2,359,927	2,437,500

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation bonds of \$1,617,000 and lease purchase agreements of \$172,927, a total of \$1,789,927 is significantly below the City's constitutional debt limit of approximately \$5.4 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Tiffin's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities.

The budget for the business type activities function is \$713,400 for fiscal year 2010 versus \$567,000 in fiscal year 2009 due to projects expanding infrastructure.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$59,000 by the close of fiscal year 2010.

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 Ruth Demuth, City Clerk, 201 Main St, Tiffin, IA 52340.

City of Tiffin

Basic Financial Statements

City of Tiffin

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 189,114	1,875	-	31,219
Public works	461,580	-	85,625	-
Culture and recreation	115,245	1,500	-	-
Community and economic development	39,473	-	-	-
General government	178,616	75,025	-	-
Debt service	98,776	-	-	-
Capital projects	910,684	-	-	278,355
Total governmental activities	1,993,488	78,400	85,625	309,574
Business type activities:				
Water	373,048	371,356	-	56,540
Sewer	246,697	241,740	-	-
Recycling	37,820	43,258	-	-
Total business type activities	657,565	656,354	-	56,540
Total	\$ 2,651,053	734,754	85,625	366,114
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Urban renewal purposes				
Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(156,020)	-	(156,020)
(375,955)	-	(375,955)
(113,745)	-	(113,745)
(39,473)	-	(39,473)
(103,591)	-	(103,591)
(98,776)	-	(98,776)
(632,329)	-	(632,329)
(1,519,889)	-	(1,519,889)
-	54,848	54,848
-	(4,957)	(4,957)
-	5,438	5,438
-	55,329	55,329
(1,519,889)	55,329	(1,464,560)
\$ 222,923	-	222,923
185,982	-	185,982
1,067,966	-	1,067,966
32,956	861	33,817
71,319	-	71,319
1,581,146	861	1,582,007
61,257	56,190	117,447
895,256	753,129	1,648,385
\$ 956,513	809,319	1,765,832
\$ 1,286,962	-	1,286,962
180,798	4,918	185,716
(511,247)	804,401	293,154
\$ 956,513	809,319	1,765,832

City of Tiffin

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

As of and for the year ended June 30, 2009

	<u>Special Revenue</u>	
	Urban	
	Renewal	
	General	Tax Increment
Receipts:		
Property tax	\$ 188,536	-
Tax increment financing	-	1,067,966
Licenses and permits	74,725	-
Use of money and property	61,182	-
Intergovernmental	70,629	-
Charges for service	1,800	-
Miscellaneous	38,158	242,666
Total receipts	<u>435,030</u>	<u>1,310,632</u>
Disbursements:		
Operating:		
Public safety	189,114	-
Public works	142,084	185,590
Culture and recreation	115,245	-
Community and economic development	39,473	-
General government	144,229	-
Debt service	-	-
Capital projects	-	910,684
Total disbursements	<u>630,145</u>	<u>1,096,274</u>
Excess (deficiency) of receipts over (under) disbursements	(195,115)	214,358
Cash balances beginning of year	103,775	1,072,604
Cash balances end of year	<u>\$ (91,340)</u>	<u>1,286,962</u>
Cash Basis Fund Balances		
Reserved for debt service	\$ -	-
Unreserved, undesignated:		
General fund	(91,340)	-
Special revenue funds	-	1,286,962
Total cash basis fund balances	<u>\$ (91,340)</u>	<u>1,286,962</u>

See notes to financial statements.

Debt Service	Nonmajor	Total
185,982	34,387	408,905
-	-	1,067,966
-	-	74,725
-	-	61,182
-	85,625	156,254
-	-	1,800
400	2,689	283,913
<u>186,382</u>	<u>122,701</u>	<u>2,054,745</u>
-	-	189,114
-	133,906	461,580
-	-	115,245
-	-	39,473
-	34,387	178,616
98,776	-	98,776
-	-	910,684
<u>98,776</u>	<u>168,293</u>	<u>1,993,488</u>
87,606	(45,592)	61,257
93,192	(374,315)	895,256
<u>180,798</u>	<u>(419,907)</u>	<u>956,513</u>
180,798	-	180,798
-	-	(91,340)
-	(419,907)	867,055
<u>180,798</u>	<u>(419,907)</u>	<u>956,513</u>

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, 2009

	Enterprise			Total
	Water	Sewer	Nonmajor Recycling	
Operating receipts:				
Charges for service	\$ 370,609	241,740	43,258	655,607
Miscellaneous	747	-	-	747
Total operating receipts	371,356	241,740	43,258	656,354
Operating disbursements:				
Business type activities	178,438	129,838	37,820	346,096
Excess of operating receipts over operating disbursements	192,918	111,902	5,438	310,258
Non-operating receipts (disbursements):				
Interest on investments	313	548	-	861
Miscellaneous	(4,076)	(505)	-	(4,581)
Debt service	(111,720)	(116,354)	-	(228,074)
Capital projects	(78,814)	-	-	(78,814)
Recoupment fees	56,540	-	-	56,540
Total non-operating receipts (disbursements)	(137,757)	(116,311)	-	(254,068)
Excess (deficiency) of receipts over (under) disbursements	55,161	(4,409)	5,438	56,190
Cash balances beginning of year	469,010	287,505	(3,386)	753,129
Cash balances end of year	\$ 524,171	283,096	2,052	809,319
Cash Basis Fund Balances				
Reserved for debt service	\$ 1,941	2,977	-	4,918
Unreserved	522,230	280,119	2,052	804,401
Total cash basis fund balances	\$ 524,171	283,096	2,052	809,319

See notes to financial statements.

City of Tiffin

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of Tiffin has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

The Special Revenue, Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the payment of debt for urban renewal projects.

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

The City reports the following major proprietary funds:

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

The 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 assets 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds Payable

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 110,000	37,353	41,000	18,956	151,000	56,309
2011	114,000	36,150	43,000	15,870	157,000	52,020
2012	118,000	33,600	44,000	14,580	162,000	48,180
2013	122,000	30,960	45,000	13,260	167,000	44,220
2014	126,000	28,230	47,000	11,910	173,000	40,140
2015 - 2019	700,000	96,930	265,000	37,200	965,000	134,130
2020 - 2023	327,000	24,870	85,000	6,480	412,000	31,350
Total	\$ 1,617,000	288,093	570,000	118,256	2,187,000	406,349

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$340,000 of revenue bonds issued in July 2003. Proceeds from the bonds provided financing for the construction of improvements to the municipal water utility. The bonds are payable solely from water customer net receipts and are payable through 2023. Annual principal and interest payments on the water revenue bonds are expected to require 13% of net receipts. The total principal and interest remaining to be paid on the bonds is \$319,830. For the current year, principal and interest paid and total customer net receipts were \$23,190 and \$192,918, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$521,315 of revenue bonds issued in September 1999. Proceeds from the bonds provided financing for the construction of improvements to the municipal sewer utility. The bonds are payable solely from sewer customer net receipts and are payable through 2019. Annual principal and interest payments on the sewer revenue bonds are expected to require 35% of net receipts. The total principal and interest remaining to be paid on the bonds is \$368,426. For the current year, principal and interest paid and total customer net receipts were \$39,120 and \$111,902, respectively.

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

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

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

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

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

Lease Purchase Agreement

On April 1, 2008, the City entered into a lease purchase agreement with interest at 2.35% per annum for a motor grader. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 10,611	1,445	12,056
2011	11,116	940	12,056
2012	11,644	412	12,056
Total	\$ 33,371	2,797	36,168

On November 6, 2008, the City entered into a lease purchase agreement with interest at 2.9% per annum for a skid loader. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 6,881	1,643	8,524
2011	7,285	1,239	8,524
2012	7,714	810	8,524
2013	8,167	357	8,524
Total	\$ 30,047	4,049	34,096

On May 19, 2009, the City entered into a lease purchase agreement with interest at 2.65% per annum for a dump truck. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 17,645	5,563	23,208
2011	18,591	4,617	23,208
2012	19,588	3,620	23,208
2013	20,637	2,571	23,208
2014	21,743	1,465	23,208
2015	11,305	299	11,604
Total	\$ 109,509	18,135	127,644

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$12,141, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and paid time off hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and paid time off payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 15,000
Paid time off	<u>9,000</u>
Total	<u>\$ 24,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2009.

(6) 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.

(7) Construction Contracts

The City entered into two construction contracts during the year ended June 30, 2009.

The City entered into a contract totaling \$274,414 for the Watermain Extension – Phase Two. The City made payments totaling \$23,389 during the year. The balance remaining on the contract at June 30, 2009 totaled \$251,025.

The City entered into a contract totaling \$1,487,231 for the Highway 6 Widening. The City made payments totaling \$596,445 during the year. The balance remaining on the contract at June 30, 2009 totaled \$890,786.

(8) Deficit Balances

The General and Special Revenue, Road Use Tax Funds had deficit balances of \$91,340 and \$419,907, respectively, at June 30, 2009. The City is currently investigating alternatives to eliminate these deficits to return these funds to a sound financial position.

City of Tiffin

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 408,905	-
Tax increment financing	1,067,966	-
Other city tax	-	-
Licenses and permits	74,725	-
Use of money and property	61,182	861
Intergovernmental	156,254	-
Charges for service	1,800	656,354
Miscellaneous	283,913	56,540
Total receipts	<u>2,054,745</u>	<u>713,755</u>
Disbursements:		
Public safety	189,114	-
Public works	461,580	-
Culture and recreation	115,245	-
Community and economic development	39,473	-
General government	178,616	-
Debt service	98,776	-
Capital projects	910,684	-
Business type activities	-	657,565
Total disbursements	<u>1,993,488</u>	<u>657,565</u>
Excess (deficiency) of receipts over (under) disbursements	61,257	56,190
Balances beginning of year	<u>895,256</u>	<u>753,129</u>
Balances end of year	<u>\$ 956,513</u>	<u>809,319</u>

See accompanying independent auditor's report.

Total	Original and Final Budget	Variance
408,905	347,065	61,840
1,067,966	1,044,408	23,558
-	66,976	(66,976)
74,725	175,000	(100,275)
62,043	75,000	(12,957)
156,254	528,000	(371,746)
658,154	586,000	72,154
340,453	145,000	195,453
<u>2,768,500</u>	<u>2,967,449</u>	<u>(198,949)</u>
189,114	147,700	(41,414)
461,580	344,500	(117,080)
115,245	71,800	(43,445)
39,473	69,000	29,527
178,616	139,600	(39,016)
98,776	273,000	174,224
910,684	1,600,000	689,316
657,565	567,000	(90,565)
<u>2,651,053</u>	<u>3,212,600</u>	<u>561,547</u>
117,447	(245,151)	362,598
<u>1,648,385</u>	<u>2,891,113</u>	<u>(1,242,728)</u>
<u>1,765,832</u>	<u>2,645,962</u>	<u>(880,130)</u>

City of Tiffin

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information 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 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. The budget was not amended during the year ended June 30, 2009.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and business type activities functions.

Other Supplementary Information

City of Tiffin

City of Tiffin

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

As of and for the year ended June 30, 2009

	Road Use Tax	Employee Benefits	Total
Receipts:			
Property tax	\$ -	34,387	34,387
Intergovernmental	85,625	-	85,625
Miscellaneous	2,689	-	2,689
Total receipts	<u>88,314</u>	<u>34,387</u>	<u>122,701</u>
Disbursements:			
Operating:			
Public works	133,906	-	133,906
General government	-	34,387	34,387
Total disbursements	<u>133,906</u>	<u>34,387</u>	<u>168,293</u>
Deficiency of receipts under disbursements	(45,592)	-	(45,592)
Cash balances beginning of year	<u>(374,315)</u>	-	<u>(374,315)</u>
Cash balances end of year	<u>\$ (419,907)</u>	-	<u>(419,907)</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	<u>\$ (419,907)</u>	-	<u>(419,907)</u>

See accompanying independent auditor's report.

City of Tiffin
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
General obligation bond	Feb. 28, 1995	6.25%	\$ 300,000
Sewer improvement series A	Sep 30, 1999	4.19	488,685
Sewer improvement series B	Sep 30, 1999	3.92	560,000
Water improvements	Jul 9, 2003	3.00	1,310,000
Total			
Revenue bonds:			
Sewer	Sep 30, 1999	4.19%	\$ 521,315
Water	Jul 9, 2003	3.00	340,000
Total			
Lease purchase agreements:			
Motor grader	Apr 1, 2008	2.35%	\$ 43,500
Skid loader	Nov 6, 2008	2.90	37,605
Dump truck	May 19, 2009	2.65	121,113
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
60,000	-	60,000	-	1,629
316,000	-	23,000	293,000	13,240
357,000	-	27,000	330,000	13,994
1,051,000	-	57,000	994,000	31,530
\$ 1,784,000	-	167,000	1,617,000	60,393
337,000	-	25,000	312,000	14,120
273,000	-	15,000	258,000	8,190
\$ 610,000	-	40,000	570,000	22,310
43,500	-	10,129	33,371	1,927
-	37,605	7,558	30,047	966
-	121,113	11,604	109,509	-
\$ 43,500	158,718	29,291	172,927	2,893

City of Tiffin
Bond Maturities
June 30, 2009

General Obligation Bonds								
Year Ending June 30,	Sewer Improvement Series A		Sewer Improvement Series B		Water Improvements		Total	
	Issued Sep 30, 1999		Issued Sep 30, 1999		Issued Jul 9, 2003			
	Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
2010	4.19%	\$ 24,000	3.92%	\$ 28,000	3.00%	\$ 58,000	110,000	
2011	3.00	25,000	3.00	29,000	3.00	60,000	114,000	
2012	3.00	26,000	3.00	30,000	3.00	62,000	118,000	
2013	3.00	27,000	3.00	31,000	3.00	64,000	122,000	
2014	3.00	29,000	3.00	32,000	3.00	65,000	126,000	
2015	3.00	30,000	3.00	33,000	3.00	67,000	130,000	
2016	3.00	31,000	3.00	35,000	3.00	69,000	135,000	
2017	3.00	32,000	3.00	36,000	3.00	72,000	140,000	
2018	3.00	34,000	3.00	37,000	3.00	74,000	145,000	
2019	3.00	35,000	3.00	39,000	3.00	76,000	150,000	
2020		-		-	3.00	78,000	78,000	
2021		-		-	3.00	81,000	81,000	
2022		-		-	3.00	83,000	83,000	
2023		-		-	3.00	85,000	85,000	
		<u>\$ 293,000</u>		<u>\$ 330,000</u>		<u>\$ 994,000</u>	<u>1,617,000</u>	

See accompanying independent auditor's report.

Revenue Bonds				
Sewer		Water		Total
Issued Sep 30, 1999		Issued Jul 9, 2003		
Interest Rates	Amount	Interest Rates	Amount	
4.19%	\$ 26,000	3.00%	\$ 15,000	41,000
3.00	27,000	3.00	16,000	43,000
3.00	28,000	3.00	16,000	44,000
3.00	29,000	3.00	16,000	45,000
3.00	30,000	3.00	17,000	47,000
3.00	32,000	3.00	17,000	49,000
3.00	33,000	3.00	18,000	51,000
3.00	34,000	3.00	19,000	53,000
3.00	36,000	3.00	19,000	55,000
3.00	37,000	3.00	20,000	57,000
	-	3.00	20,000	20,000
	-	3.00	21,000	21,000
	-	3.00	22,000	22,000
	-	3.00	22,000	22,000
	<u>\$ 312,000</u>		<u>\$ 258,000</u>	<u>570,000</u>

City of Tiffin



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

To the Honorable Mayor and
Members of the City Council:

We have audited 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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 15, 2010. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditor's Report, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tiffin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Tiffin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tiffin's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Tiffin's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Tiffin's financial statements that is more than inconsequential will not be prevented or detected by the City of Tiffin's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Tiffin's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (B), (C), (D), (F) and (J) are material weaknesses.

Compliance and Other Matters

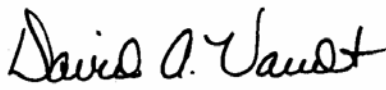
As part of obtaining reasonable assurance about whether the City of Tiffin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

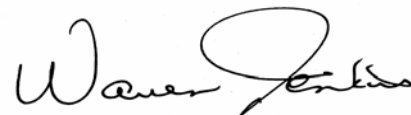
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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 findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Tiffin's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Tiffin and other parties to whom the City of Tiffin may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2010

City of Tiffin

Schedule of Findings

Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:

- (1) Cash – initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Investments – detailed record keeping and reconciling earnings.
- (3) Long term debt – recording and reconciling.
- (4) Receipts – collecting, depositing, journalizing and posting.
- (5) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (6) Disbursements – purchasing, recording and reconciling.
- (7) Financial reporting – preparing, reconciling and distributing.
- (8) Accounting system – performing all general accounting functions and having custody of City assets.
- (9) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We understand the concern and are taking the recommendation under advisement. Most procedures have already been updated since the end of fiscal year 2009.

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

(B) Information Systems – During our review of internal control, the existing control activities in the City's computer based financial systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer based financial systems were noted:

The City does not have written policies for:

- Requiring time out/log off or screen saver passwords to protect computer terminal when not in use.

City of Tiffin

Schedule of Findings

Year ended June 30, 2009

- Requiring use of passwords and requiring passwords be changed at least every 60 to 90 days.
- Maintaining password privacy and confidentiality.
- Requiring the use of anti-virus programs on the computer.
- Limiting physical access to the computer to authorized personnel.
- Ensuring software not licensed to the City is not installed.
- Usage of the internet.
- Requiring backups be performed (daily, weekly, monthly and yearly) and the backup tapes/files be stored off site daily.

Also, the City does not have a written disaster recovery plan and does not have a written accounting procedures manual.

Recommendation – The City should develop written policies addressing the above items to improve the City's control over computer based financial systems. Also, a written disaster recovery plan should be developed and tested periodically. The City should also develop a written accounting procedures manual.

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

Conclusion – Response accepted.

- (C) City Financial Management Information – The City does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Fund accounting is required as a means for the City to demonstrate compliance with legal requirements pertaining to the various funding sources of the City, including, but not limited to, road use tax and tax increment financing.

Monthly financial reports, including fund balances and comparisons of actual results to budget by function, were not compiled from the accounting records and provided to the City Council for review and approval.

Procedures do not exist to ensure the accounting records include all transactions applicable to the reporting period.

Monthly reconciliations, including a list of outstanding checks, are not prepared to reconcile book to bank balances. An unidentified variance of \$31,859 existed between the City's monthly Quickbooks report and the reconciled bank balance at June 30, 2009. The City has adjusted its books to reconcile with the bank balance.

Recommendation – The City should review the current financial accounting system and establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting.

To improve financial accountability and control, a monthly report should be submitted to the City Council showing beginning balances, receipts, disbursements, transfers and ending balances for each individual fund. To provide better control over budgeted disbursements and an opportunity for timely amendments to the budget, the monthly financial reports should include comparisons to the City's budget by function.

City of Tiffin

Schedule of Findings

Year ended June 30, 2009

Procedures should be established to ensure the accounting records include all transactions applicable to the reporting period. Receipts and disbursements per the City's financial records should be compared to bank account activity to ensure completeness and accuracy.

The book and bank balances should be reconciled, retained and approved monthly by an independent person. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained. Also, the City should revise the beginning balances when filing the 2010 Annual Financial Report.

Response – The City is investigating options for updating its financial software. The City has started to reconcile its fund balances to bank balances monthly. Beginning fund balances on the City's 2010 Annual Financial Report will be revised.

Conclusion – Response accepted.

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

Minutes of Tiffifest Committee activity were not kept and none of the disbursements were approved by either the Tiffifest Committee or the City Council. Total disbursements for the year ended June 30, 2009 were \$37,795.

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

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

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

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

- (E) Paid Time Off/Compensated Absences – The City does not have a formal written policy regarding the accrual rates for paid time off or a written policy regarding what is paid out upon termination of employment.

Compensated absence liabilities can have a major impact on the City's budget. The City Council does not periodically review the compensated absences liability.

Recommendation – The City should develop a formal written policy regarding paid time off and termination payments. At least annually (at the end of the fiscal year), the City Council should review the liability for compensated absences and have the Mayor or a Council Member sign the report to document the review.

Response – The City has started drafting a City Manual which will cover these issues and the compensated absences liability will be periodically reviewed.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2009

- (F) Utilities – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, a delinquent account listing was not prepared and maintained.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The City Council or other independent person should review the reconciliations and monitor delinquencies.

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

Conclusion – Response accepted.

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

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

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

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

Conclusion – Response accepted.

- (H) Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

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

Conclusion – Response accepted.

- (I) Tuition Payment – The City paid Mount Mercy College \$3,575 for tuition for a part-time employee in lieu of a paycheck. Although the disbursement to Mount Mercy College was approved in the City Council minutes, no discussion in the minutes or other approval of the hiring or pay rate is documented. There is no approval of the hours works and a form 1099 was not completed for the payment.

City of Tiffin

Schedule of Findings

Year ended June 30, 2009

Recommendation – The City should file a form 1099 with the Internal Revenue Service for contract labor paid in excess of \$600. Also, the City should document any discussion and approval of any similar future payments.

Response – This was a one time payment and the City has no plans to make any type of similar payment in the future.

Conclusion – Response accepted.

- (J) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of taxes to generate dollars to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside taxes divided for tax increment purposes for current or future urban renewal projects. Except for assistance for low and moderate income family housing discussed in Chapter 403.22 of the Code of Iowa, indebtedness incurred is to be certified to the County Auditor and then the divided taxes are to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) requires the City to certify the amount of reductions resulting from reduction in debt or for any other reason to the County Auditor.

The City's tax increment financing (TIF) certification required by Chapter 403 of the Code of Iowa and filed November 29, 2006 certified \$4,155,899 of TIF debt outstanding. In addition, the City certification filed November 21, 2007 certified an additional \$5,000,000 of TIF debt outstanding. Resolution 2007-58 dated October 10, 2007, provided by the City as evidence of its certified TIF debt did not include the amount of debt certified. In addition, the resolution states, in part, "the area of improvement of Roberts Ferry Road lies mostly within the existing TIF district in the City". Resolutions 2009-15 and 2009-30, dated June 10 and August 12, 2009, respectively, indicated the TIF debt was within the existing TIF district. However the resolutions did not include the amount of debt certified. No other documentation was made available for the County Auditor to substantiate the TIF debt certified by the City.

We were unable to definitively determine the total amount of TIF debt issued by the City based on the TIF certifications filed with the County Auditor due to the lack of related supporting documentation. However, the City's TIF certifications filed with the County Auditor substantially exceed the total amount of debt issued by the City for all purposes, regardless of the actual TIF debt which may be determined to be allowable within the City's TIF plan, if any. As such, the City has used TIF revenue to pay project costs.

All disbursements for the year ended June 30, 2009 were for capital projects or the purchase of property. One project and the purchase of property utilizing TIF funds were within the City's TIF district.

In addition, no interest from investments was recorded in the Special Revenue, Urban Renewal Tax Increment Fund as required by Chapter 12C.9 of the Code of Iowa.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications and the amount of TIF debt to be decertified, if any. In addition, the City should consult TIF legal counsel regarding the propriety of TIF disbursements to pay project costs. A portion of the interest on pooled investments should be allocated to the Special Revenue, Urban Renewal Tax Increment Fund.

City of Tiffin

Schedule of Findings

Year ended June 30, 2009

Because of the amount of TIF debt certified in excess of actual debt issued and the City's collection and use of the related TIF funds for disbursements other than TIF indebtedness, a copy of this report has been filed with the Johnson County Auditor and the Johnson County Attorney for their review and determination of further action, if any.

Response – The City has already contacted the Auditor's Office and Bond Counsel regarding this issue.

Conclusion – Response accepted.

- (K) Payroll – Timecards were not prepared for all City workers during fiscal year 2009. In addition, one timecard tested was not approved.

While payroll is processed by the City, the City has hired a third party to write and distribute payroll checks and related payroll taxes. The City has not developed written procedures for reconciliations performed.

Recommendation – Timecards should be prepared for all City employees and should be approved by an independent person.

Written procedures should be established for payroll related reconciliations performed by the City.

Response – Recommendation taken under advisement and procedures are being developed.

Conclusion – Response acknowledged. Timecards should be prepared for all City employees and approved by an independent person.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Tiffin

Schedule of Findings

Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response acknowledged. The City should implement procedures to ensure compliance with Chapter 384.18 of the Code of Iowa.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted. However, sales tax paid on purchases made by the City were noted.

Recommendation – Procedures should be implemented to ensure sales tax is not paid on exempt goods and services purchased by the City.

Response – City recouped part of sales tax paid in fiscal year 2010 and will contact card provider to inquire about tax exempt status.

Conclusion – Response acknowledged. The City should implement procedures to ensure sales tax is not paid on exempt goods and services purchased by the City.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Response – The City has already switched newspaper publisher to comply with Chapter 372.13(6) of the Code of Iowa.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2009

- (7) Deposits and Investments – The City has not adopted a written investment policy required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The City has a draft investment policy which is awaiting approval.

Conclusion – Response accepted.

- (8) Revenue Bonds – The following instances of non-compliance with revenue bond requirements were noted:

- The City did not make the required transfers to the sinking accounts as required by section 10 of the sewer revenue bond resolution and section 8 of the water revenue bond resolution.
- The City did not make the payments of principal and interest from the sinking accounts as required.
- Section 8 of the sewer revenue bond resolution and section 6 of the water revenue bond resolution require all users of the system, including the City, be charged for that use. All City departments are not charged for sewer and water usage.
- Section 17 of the sewer revenue bond resolution and section 11 of the water revenue bond resolution require the City books and accounts to be audited annually. The City was last audited for the year ended June 30, 2005.

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

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

Conclusion – Response accepted.

- (9) Payment of General Obligation Debt – Certain general obligation bond principal and interest was paid from the Enterprise, Water and Sewer Funds. Chapter 384.4 of the Code of Iowa states, in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund." In addition, the City continued to levy property tax for the sewer improvement series A and series B general obligation bonds for fiscal year 2010 and fiscal year 2011.

Recommendation – The City should transfer from the Enterprise, Water and Sewer Funds to the Debt Service Fund for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund." In addition the City should reduce future property tax levies for general obligation debt when funds are received from sources other than property tax.

Response – The City will transfer funds to Debt Service for future funding contributions. Payments will be disbursed from the Debt Service Fund.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2009

- (10) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures....”. The City’s Annual Financial Report reported expenditures and fund balances do not materially agree with City records.

The City did not publish or file the Annual Financial Report for the year ended June 30, 2009 with the Office of Auditor of State by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The Annual Financial Report should be amended to correct material errors and the amounts reported should be supported by the City’s records. In addition, the City should publish and file the Annual Financial Report as required by Chapter 384.22 of the Code of Iowa.

Response – We understand the concern and are taking the recommendation under advisement to revise the financial balances on the system.

Conclusion – Response acknowledged. The Annual Financial Report should be amended to correct material errors and the amounts reported should be supported by the City’s records. In addition, the City should publish and file the Annual Financial Report as required by Chapter 384.22 of the Code of Iowa.

- (11) Chart of Accounts – The City has not implemented the Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee on September 25, 2002. As a result, certain receipts and disbursement were not properly reported in the Annual Financial Report. These were reclassified and resolved for audit purposes.

Recommendation – To provide better information and control, the City should follow the Uniform Chart of Accounts for Iowa City Governments.

Response – The City is investigating options for updating financial software which will allow the City to utilize the uniform chart of accounts.

Conclusion – Response accepted.

- (12) Financial Condition – The General and Special Revenue, Road Use Tax Funds had deficit balances of \$91,340 and \$419,907 respectively, at June 30, 2009.

Recommendation – The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

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

Conclusion – Response accepted.

City of Tiffin

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Aaron P. Wagner, CPA, Staff Auditor
Daniel L. Grady, Senior Auditor
Kurt D. Goldsmith, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State