



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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**NEWS RELEASE**

FOR RELEASE

June 27, 2018

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Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$5,702,590 for the year ended June 30, 2017. The receipts included \$1,185,600 of property tax, \$852,963 from tax increment financing, \$1,693,589 from charges for service, \$273,788 from operating grants, contributions and restricted interest, \$225,034 from capital grants, contributions and restricted interest, \$14,925 from unrestricted interest on investments, \$1,335,838 of bond proceeds and \$120,853 of other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$6,164,016, and included \$2,206,318 for capital projects, \$942,760 for debt service and \$372,105 for general government. Also, disbursements for business type activities totaled \$1,735,415.

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 <https://auditor.iowa.gov/reports/1721-0490-B00F>.

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**CITY OF TIFFIN**

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

**JUNE 30, 2017**

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**City of Tiffin**

**Officials**

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

**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, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

### Basis for Modified Opinions

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, 2016.

### Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2016, 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, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

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


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 34 through 40, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2018 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 over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

June 19, 2018

**City of Tiffin**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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

### **2017 FINANCIAL HIGHLIGHTS**

- The cash basis net position of the City's governmental activities decreased \$1,411,454, primarily due to disbursements for capital projects.
- The cash basis net position of the City's business type activities increased \$950,028, primarily due to issuing sewer revenue bonds.
- The City's total cash basis net position decreased 11.6%, or \$461,426, from June 30, 2016 to June 30, 2017, primarily due to disbursements for capital projects offset by sewer revenue bond proceeds received.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year 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, 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 Funds. The Water and Sewer Funds are considered to be major funds of the City.

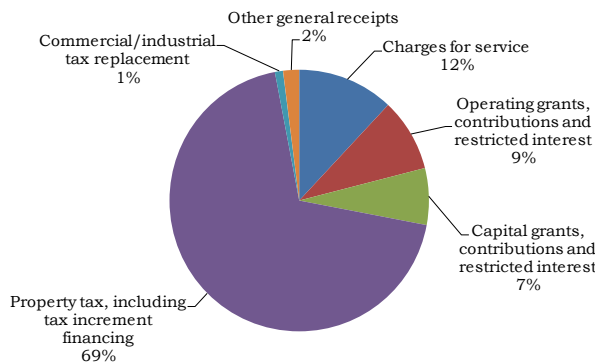
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

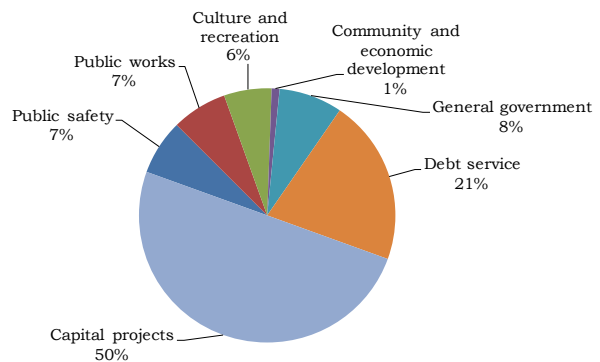
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$3.720 million to approximately \$2.309 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30, 2017
Receipts:	
Program receipts:	
Charges for service	\$ 365,855
Operating grants, contributions and restricted interest	273,788
Capital grants, contributions and restricted interest	225,034
General receipts:	
Property tax, including tax increment financing	2,038,563
Commercial/industrial tax replacement	26,513
Unrestricted interest on investments	14,925
Other general receipts	72,469
Total receipts	<u>3,017,147</u>
Disbursements:	
Public safety	302,645
Public works	302,937
Culture and recreation	250,946
Community and economic development	50,890
General government	372,105
Debt service	942,760
Capital projects	2,206,318
Total disbursements	<u>4,428,601</u>
Change in cash basis net position	(1,411,454)
Cash basis net position beginning of year	<u>3,720,326</u>
Cash basis net position end of year	<u>\$ 2,308,872</u>

**Receipts by Source**



**Disbursements by Function**



<u>Changes in Cash Basis Net Position of Business Type Activities</u>	
	<u>Year ended June 30, 2017</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 636,590
Sewer	616,591
Recycling	74,553
General receipts:	
Bond proceeds	1,335,838
Other general receipts	<u>21,871</u>
Total receipts	<u>2,685,443</u>
Disbursements:	
Water	421,634
Sewer	1,247,897
Recycling	<u>65,884</u>
Total disbursements	<u>1,735,415</u>
Change in cash basis net position	950,028
Cash basis net position beginning of year	<u>247,847</u>
Cash basis net position end of year	<u>\$ 1,197,875</u>

The City's cash balance for business type activities increased from a year ago, increasing from \$247,847 to \$1,197,875.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Tiffin completed the year, its governmental funds reported a combined fund balance of \$2,308,872, a decrease of more than \$1,411,000 from last year's total of \$3,720,326. 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 \$385,037 from the prior year to \$810,741.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$22,597 to \$332,402.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$188,371 to \$1,723,691. The increase was due to a significant decrease in disbursements for tax incremental financing debt.
- The Debt Service Fund cash balance increased \$6,094 to \$71,919.
- The Capital Projects Fund cash balance decreased \$1,969,124 from the prior year to a deficit balance of \$816,765. This decrease was due to an increase in capital projects with work beginning in fiscal year 2017.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$231,450 to \$330,525 during the fiscal year, primarily from charges for service exceeding the cost to operate the system.
- The Enterprise, Sewer Fund cash balance increased \$709,909 to \$836,081 during the fiscal year, due primarily to the receipt of \$1,335,838 of revenue bond proceeds.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 6, 2017 and resulted in an increase in budgeted operating disbursements in various City departments, as well as business type activities.

The City's receipts were \$1,267,392 less than budgeted, primarily due to the City receiving less intergovernmental receipts than anticipated.

Actual disbursements for public safety, culture and recreation, community and economic development, general government and capital projects functions were \$10,590, \$1,936, \$16,710, \$14,671 and \$998,682, respectively, less than budgeted. The capital projects function was less than budgeted primarily due to the City not completing multiple planned capital projects.

Even with the budget amendment, the City exceeded the amounts budgeted in public works and business type activities functions by \$29,222 and \$4,360, respectively, for the year ended June 30, 2017.

## DEBT ADMINISTRATION

At June 30, 2017, the City had \$9,304,318 of bonds outstanding, compared to \$8,760,000 last year, as shown below.

Outstanding Debt at Year-End		
(Expressed in Thousands)		
	June 30,	
	2017	2016
General obligation bonds	\$ 7,760,000	8,510,000
Revenue bonds	1,544,318	250,000
Total	\$ 9,304,318	8,760,000

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 bonds of \$7,760,000, is below its constitutional debt limit of approximately \$12.6 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 2018 budget, tax rates and fees charged for various City activities.

The budget for the capital projects function is \$7,593,371 for fiscal year 2018 to complete multiple projects.

The budget for the business type activities function is \$3,052,557 for fiscal year 2018 versus a final amended amount of \$1,731,055 in fiscal year 2017 due to projects to expand the infrastructure.

The budget for other financing sources is expected to be \$7,300,000 due to the expectation of receiving debt proceeds during the year.

If these estimates are realized, the City's cash balance is expected to increase approximately \$845,391 by the close of fiscal year 2018.

## **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, 2017

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 302,645	260,737	-	-
Public works	302,937	-	246,708	-
Culture and recreation	250,946	41,762	27,054	-
Community and economic development	50,890	-	-	-
General government	372,105	63,356	26	-
Debt service	942,760	-	-	-
Capital projects	2,206,318	-	-	225,034
Total governmental activities	4,428,601	365,855	273,788	225,034
Business type activities:				
Water	421,634	636,590	-	-
Sewer	1,247,897	616,591	-	-
Recycling	65,884	74,553	-	-
Total business type activities	1,735,415	1,327,734	-	-
Total	\$ 6,164,016	1,693,589	273,788	225,034
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Revenue bond proceeds, net of \$11,480 initiation fee				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(41,908)	-	(41,908)
(56,229)	-	(56,229)
(182,130)	-	(182,130)
(50,890)	-	(50,890)
(308,723)	-	(308,723)
(942,760)	-	(942,760)
(1,981,284)	-	(1,981,284)
(3,563,924)	-	(3,563,924)
-	214,956	214,956
-	(631,306)	(631,306)
-	8,669	8,669
-	(407,681)	(407,681)
(3,563,924)	(407,681)	(3,971,605)
901,049	-	901,049
284,551	-	284,551
852,963	-	852,963
26,513	-	26,513
14,925	-	14,925
-	1,335,838	1,335,838
72,469	21,871	94,340
2,152,470	1,357,709	3,510,179
(1,411,454)	950,028	(461,426)
3,720,326	247,847	3,968,173
\$ 2,308,872	1,197,875	3,506,747
332,402	-	332,402
1,723,691	-	1,723,691
71,919	16,652	88,571
257,016	406,518	663,534
(76,156)	774,705	698,549
\$ 2,308,872	1,197,875	3,506,747

City of Tiffin

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

As of and for the year ended June 30, 2017

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 835,199	-	-
Tax increment financing	-	-	852,963
Licenses and permits	261,037	-	-
Use of money and property	35,087	-	552
Intergovernmental	19,817	246,708	-
Charges for service	30,110	-	-
Miscellaneous	135,747	2,401	750
Total receipts	<u>1,316,997</u>	<u>249,109</u>	<u>854,265</u>
Disbursements:			
Operating:			
Public safety	289,001	-	-
Public works	5,828	271,706	-
Culture and recreation	245,848	-	-
Community and economic development	42,474	-	8,316
General government	348,809	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>931,960</u>	<u>271,706</u>	<u>8,316</u>
Excess (deficiency) of receipts over (under) disbursements	<u>385,037</u>	<u>(22,597)</u>	<u>845,949</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(657,578)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(657,578)</u>
Change in cash balances	385,037	(22,597)	188,371
Cash balances beginning of year	425,704	354,999	1,535,320
Cash balances end of year	<u>\$ 810,741</u>	<u>332,402</u>	<u>1,723,691</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	-	332,402	-
Urban renewal purposes	-	-	1,723,691
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	810,741	-	-
Total cash basis fund balances	<u>\$ 810,741</u>	<u>332,402</u>	<u>1,723,691</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
284,551	-	65,850	1,185,600
-	-	-	852,963
-	-	-	261,037
-	12,160	-	47,799
5,134	141,476	1,562	414,697
-	-	-	30,110
1,591	83,558	894	224,941
291,276	237,194	68,306	3,017,147
-	-	13,644	302,645
-	-	25,403	302,937
-	-	5,098	250,946
-	-	100	50,890
-	-	23,296	372,105
942,760	-	-	942,760
-	2,206,318	-	2,206,318
942,760	2,206,318	67,541	4,428,601
(651,484)	(1,969,124)	765	(1,411,454)
657,578	-	-	657,578
-	-	-	(657,578)
657,578	-	-	-
6,094	(1,969,124)	765	(1,411,454)
65,825	1,152,359	186,119	3,720,326
71,919	(816,765)	186,884	2,308,872
-	-	-	332,402
-	-	-	1,723,691
71,919	-	-	71,919
-	-	257,016	257,016
-	(816,765)	(70,132)	(76,156)
71,919	(816,765)	186,884	2,308,872

**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, 2017

	Enterprise			Total
	Water	Sewer	Nonmajor Recycling	
Operating receipts:				
Charges for service	\$ 636,590	616,591	74,553	1,327,734
Miscellaneous	16,494	5,377	-	21,871
Total operating receipts	653,084	621,968	74,553	1,349,605
Operating disbursements:				
Business type activities	399,774	241,332	65,884	706,990
Excess of operating receipts over operating disbursements	253,310	380,636	8,669	642,615
Non-operating receipts (disbursements):				
Revenue bond proceeds, net of \$11,480 initiation fee	-	1,335,838	-	1,335,838
Debt service	(21,860)	(42,425)	-	(64,285)
Capital projects	-	(964,140)	-	(964,140)
Net non-operating receipts (disbursements)	(21,860)	329,273	-	307,413
Change in cash balances	231,450	709,909	8,669	950,028
Cash balances beginning of year	99,075	126,172	22,600	247,847
Cash balances end of year	\$ 330,525	836,081	31,269	1,197,875
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 1,790	14,862	-	16,652
Restricted for capital projects	-	406,518	-	406,518
Unrestricted	328,735	414,701	31,269	774,705
Total cash basis fund balances	\$ 330,525	836,081	31,269	1,197,875

See notes to financial statements.

City of Tiffin

Notes to Financial Statements

June 30, 2017

**(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 E-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 revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.



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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental 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, 2017, disbursements exceeded the amounts budgeted in the public works and business type activities functions.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2017 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
2018	\$ 760,000	181,210	55,000	3,448	815,000	184,658
2019	775,000	169,610	57,000	2,485	832,000	172,095
2020	715,000	156,785	20,000	1,487	735,000	158,272
2021	725,000	143,265	21,000	1,138	746,000	144,403
2022	745,000	128,103	22,000	770	767,000	128,873
2023-2027	3,635,000	371,755	22,000	385	3,657,000	372,140
2028-2032	405,000	13,770	-	-	405,000	13,770
Total	\$ 7,760,000	1,164,498	197,000	9,713	7,957,000	1,174,211

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, 2017, the City paid principal of \$445,000 and interest of \$77,855 on the bonds. The outstanding principal balance at June 30, 2017 was \$3,900,000.

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, 2017, the City paid principal of \$305,000 and interest of \$113,905 on the bonds.

## Revenue Bonds

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. At June 30, 2017, the City had drawn down \$1,347,318 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 water 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, 2017, the City paid interest of \$6,500 on the bonds under a preliminary repayment schedule.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,296,000 of sewer revenue bonds issued in September 2016 and \$521,315 of sewer revenue bonds issued in September 1999. Proceeds from the September 1999 bonds provided financing for the planning, design and construction of improvements to the municipal sewer utility. On June 1, 2013, the Iowa Finance Authority reduced the interest rate on the September 1999 sewer revenue bonds to 1.75% per annum. The bonds are payable solely from sewer customer net receipts and are payable through 2019 for the September 1999 bonds.

Annual principal and interest payments on the bonds are expected to require less than 12% of net receipts. The total principal and interest remaining to be paid on the September 1999 bonds is \$74,925. For the current year, the combined principal and interest paid on the sewer bonds and total customer net receipts were \$42,372 and \$380,636, 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 9% of net receipts. The total principal and interest remaining to be paid on the bonds is \$131,788. For the current year, principal and interest paid and total customer net receipts were \$21,503 and \$253,310, 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 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 net less than 110% of the amount of principal and interest on the bonds falling due in the same year.

(d) The City shall cause the books and accounts of the sewer and water utilities to be audited annually.

(e) All users of the system, including the City, shall pay for usage.

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

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

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 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member’s highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$38,082.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$336,217 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the City's proportion was 0.005342%, which was an increase of 0.001721% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$39,877, \$97,607 and \$45,619, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric 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>
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 543,954	336,217	160,885

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](http://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, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 23,500
Sick leave	30,000
Compensatory time	3,100
Total	<u>\$ 56,600</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>\$ 657,578</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) Deficit Balances**

The Capital Projects Fund and the Special Revenue, Economic Development Fund had deficit balances of \$816,765 and \$70,132, respectively, at June 30, 2017. The deficit balances were a result of costs incurred prior to the availability of funds. The City is working to eliminate these deficit balances

**(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 revenues 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, 2017, the City abated \$2,833 of property tax under the urban renewal and economic development projects.

**(10) Construction Commitments**

The City has entered into construction contracts totaling \$8,360,631 for wastewater treatment plan improvement projects. As of June 30, 2017, \$1,136,324 has been paid on the contracts. The remaining \$7,224,307 will be paid as work progresses.

**(11) 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 \$934,500. The total amount rebated during the year ended June 30, 2017 was \$8,316. The outstanding balance of the agreements at June 30, 2017 was \$869,500.

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.

**(12) Subsequent Event**

In December 2017, the City issued \$5,140,000 of general obligation corporate purpose bonds for constructing street, water system, storm water drainage, sanitary sewer system and sidewalk improvements, as well as installing street lighting and street signalization.

**(13) New Accounting Pronouncement**

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements which impact the City.

## **Other Information**

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

Other Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Total
<b>Receipts:</b>			
Property tax	\$ 1,185,600	-	1,185,600
Tax increment financing	852,963	-	852,963
Other city tax	-	-	-
Licenses and permits	261,037	-	261,037
Use of money and property	47,799	-	47,799
Intergovernmental	414,697	-	414,697
Charges for service	30,110	1,327,734	1,357,844
Miscellaneous	224,941	21,871	246,812
Total receipts	3,017,147	1,349,605	4,366,752
<b>Disbursements:</b>			
Public safety	302,645	-	302,645
Public works	302,937	-	302,937
Culture and recreation	250,946	-	250,946
Community and economic development	50,890	-	50,890
General government	372,105	-	372,105
Debt service	942,760	-	942,760
Capital projects	2,206,318	-	2,206,318
Business type activities	-	1,735,415	1,735,415
Total disbursements	4,428,601	1,735,415	6,164,016
Excess of receipts over disbursements	(1,411,454)	(385,810)	(1,797,264)
Other financing sources, net	-	1,335,838	1,335,838
Excess of receipts and other financing sources over disbursements and other financing uses	(1,411,454)	950,028	(461,426)
Balances beginning of year	3,720,326	247,847	3,968,173
Balances end of year	\$ 2,308,872	1,197,875	3,506,747

See accompanying independent auditor's report.

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<u>Budgeted Amounts</u>		Final to
Original	Final	Total
		Variance
1,117,132	1,117,132	68,468
855,783	855,783	(2,820)
62,703	62,703	(62,703)
325,400	325,400	(64,363)
21,074	206,074	(158,275)
1,560,152	1,560,152	(1,145,455)
1,443,900	1,443,900	(86,056)
63,000	63,000	183,812
<u>5,449,144</u>	<u>5,634,144</u>	<u>(1,267,392)</u>
313,235	313,235	10,590
208,715	273,715	(29,222)
227,882	252,882	1,936
67,600	67,600	16,710
291,776	386,776	14,671
942,760	942,760	-
3,205,000	3,205,000	998,682
751,370	1,731,055	(4,360)
<u>6,008,338</u>	<u>7,173,023</u>	<u>1,009,007</u>
(559,194)	(1,538,879)	(258,385)
10,066	989,751	346,087
(549,128)	(549,128)	87,702
<u>6,991,409</u>	<u>6,991,409</u>	<u>(3,023,236)</u>
<u>6,442,281</u>	<u>6,442,281</u>	<u>(2,935,534)</u>

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City of Tiffin

Notes to Other Information – Budgetary Reporting

June 30, 2017

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 \$1,164,685. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public works and business type activities functions.

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City of Tiffin

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

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

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.005342%	0.003621%	0.004056%
City's proportionate share of the net pension liability	\$ 336	179	161
City's covered-employee payroll	\$ 383	267	267
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.73%	67.04%	60.30%
IPERS' net position as a percentage of the total pension liability	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.

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City of Tiffin

Schedule of City Contributions

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

Other Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 38	34	24	24
Contributions in relation to the statutorily required contribution	(38)	(34)	(24)	(24)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 426	383	267	267
Contributions as a percentage of covered-employee payroll	8.92%	8.88%	8.99%	8.99%

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

See accompanying independent auditor's report.



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2013	2012
19	9
(19)	(9)
-	-
220	125
8.64%	7.20%

City of Tiffin

Notes to Other Information – Pension Liability

Year ended June 30, 2017

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.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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, 2017

	Special Revenue				Total
	Economic Development	Employee Benefits	Local Option Sales Tax	FEMA	
Receipts:					-
Property tax	\$ -	65,850	-	-	65,850
Intergovernmental	-	1,562	-	-	1,562
Miscellaneous	-	894	-	-	894
Total receipts	-	68,306	-	-	68,306
Disbursements:					
Operating:	-				
Public safety	-	13,644	-	-	13,644
Public works	-	25,403	-	-	25,403
Cultures and recreation	-	5,098	-	-	5,098
Community and economic development	-	100	-	-	100
General government	-	23,296	-	-	23,296
Total disbursements	-	67,541	-	-	67,541
Change in cash balances	-	765	-	-	765
Cash balances beginning of year	(70,132)	146,379	55,598	54,274	186,119
Cash balances end of year	\$ (70,132)	147,144	55,598	54,274	186,884
<b>Cash Basis Fund Balances</b>					
Restricted for other purposes	\$ -	147,144	55,598	54,274	257,016
Unassigned	(70,132)	-	-	-	(70,132)
Total cash basis fund balances	\$ (70,132)	147,144	55,598	54,274	186,884

See accompanying independent auditor's report.

City of Tiffin  
 Schedule of Indebtedness  
 Year ended June 30, 2017

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
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	2,296,000
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
4,345,000	-	445,000	3,900,000	77,855
4,165,000	-	305,000	3,860,000	113,905
<b>\$ 8,510,000</b>	-	750,000	7,760,000	191,760
107,000	-	34,000	73,000	1,872
143,000	-	19,000	124,000	2,503
-	1,347,318	-	1,347,318	6,500
<b>\$ 250,000</b>	1,347,318	53,000	1,544,318	10,875

**City of Tiffin**



City of Tiffin  
Bond Maturities  
June 30, 2017

General Obligation Bonds						
Year Ending June 30,	Series 2012A		Series 2015A		Total	
	Issued September 1, 2012		Issued July 29, 2015			
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2018	1.20%	\$ 450,000	2.00%	\$ 310,000	760,000	
2019	1.35	460,000	2.10	315,000	775,000	
2020	1.55	390,000	2.30	325,000	715,000	
2021	1.75	395,000	2.50	330,000	725,000	
2022	2.00	405,000	2.60	340,000	745,000	
2023	2.00	410,000	2.80	345,000	755,000	
2024	2.15	335,000	3.00	355,000	690,000	
2025	2.30	345,000	3.10	365,000	710,000	
2026	2.40	350,000	3.20	380,000	730,000	
2027	2.50	360,000	3.30	390,000	750,000	
2028		-	3.40	405,000	405,000	
Total		<u>\$ 3,900,000</u>		<u>3,860,000</u>	<u>7,760,000</u>	

Revenue Bonds						
Year Ending June 30,	Series 1999		Water		Total	
	Issued September 30, 1999		Issued July 9, 2003			
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2018	1.75%	\$ 36,000	1.75%	\$ 19,000	55,000	
2019	1.75	37,000	1.75	20,000	57,000	
2020		-	1.75	20,000	20,000	
2021		-	1.75	21,000	21,000	
2022		-	1.75	22,000	22,000	
2023		-	1.75	22,000	22,000	
Total		<u>73,000</u>		<u>124,000</u>	<u>197,000</u>	

See accompanying independent auditor's report.

**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**



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

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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 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, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2018. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2016.

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 through D to be material weaknesses.

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### The City of Tiffin's Responses to the Findings

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Tiffin during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

June 19, 2018

City of Tiffin

Schedule of Findings

Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one individual in the City has control over each of the following areas for which no compensating controls exist:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (4) Utilities – billing, collecting, depositing and posting.
- (5) Debt – recordkeeping, compliance and debt payment processing.
- (6) Journal entries – preparing and recording.
- (7) Accounting system – performing all general accounting functions and having custody of city assets.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the 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 – The City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Response – Subsequent to year-end some duties have been segregated and the City will continue to look for ways to realign and reassign duties where practical.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2017

(B) 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 not reconciled to bank and investment balances throughout the year. The City’s general ledger balance and bank balance were \$3,506,747 and \$3,495,677, respectively, at June 30, 2017, a variance of \$11,070. We were unable to determine the reason for the variance.

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

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

Recommendation – The City should prepare monthly bank reconciliations and variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. In addition, the reconciliations should be reviewed by an independent person and should be documented by the signature or initials of the independent reviewer and the date of review.

Response – The City will create a policy for completing a comprehensive bank reconciliation that will be reviewed by someone independent of the reconciliation process.

Conclusion – Response accepted.

(C) 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.

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.

City of Tiffin

Schedule of Findings

Year ended June 30, 2017

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 is currently in the process of creating and maintaining a monthly list of delinquent utility accounts that documents any reconciliations. This list will be reviewed by the City Council, Mayor or Mayor Pro-tem.

Conclusion – Response accepted.

(D) Monthly City Clerk’s Report

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management to effectively perform their fiduciary responsibilities related to city financial management.

Condition – A monthly City Clerk’s report, including a summary of receipts, disbursements, transfers and balances by fund, is not prepared. In addition, a comparison of actual disbursements to the certified budget by function is not prepared and provided to the City Council for review.

Cause – Policies have not been established and procedures have not been implemented which require the City Clerk to provide the City Council with the required financial information.

Effect – The City Council may not have effective control over budgeted disbursements and the ability to amend the budget on a timely basis. In addition, City Council may not be aware of deficit fund balances.

Recommendation – The City Clerk should prepare a monthly City Clerk’s report which includes receipts, disbursements, transfers and balances for each fund and comparisons of total disbursements by function to the certified budget.

Response – The City will prepare a monthly City Clerk’s/Treasurer’s report to be reviewed and approved by City Council.

Conclusion – Response accepted.

(E) Imprest Cash

Criteria – Change fund should be maintained on an imprest basis and the City should have an approved authorized amount of cash to be maintained in the change fund.

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

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

City of Tiffin

Schedule of Findings

Year ended June 30, 2017

Effect – Lack of an authorized amount can cause the ability to maintain an inappropriate amount of funds.

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

Response – The City will create a policy to address an appropriate amount of cash to be maintained in the change fund.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Tiffin

Schedule of Findings

Year ended June 30, 2017

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public works 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 in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

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

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

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

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

- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not. The City did not publish minutes as required by Chapter 372.13(b) of the Code of Iowa including a summary of receipts as required

Recommendation – The City should publish minutes, including a summary of receipts.

Response – The City will publish minutes that include a summary of receipts.

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.

City of Tiffin

Schedule of Findings

Year ended June 30, 2017

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

- The City did not make the required transfers to the sinking accounts as required by the 1999 and 2016 sewer revenue bonds resolutions.
- The City does not pay for sewer and water usage as required.
- The sewer revenue and water revenue bond resolutions require the City books and accounts to be audited annually. The City was last audited for the year ended June 30, 2013.

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

Response – The City has corrected the sinking fund deficiencies and now makes the required transfers. A procedure has been set-up to charge all City departments for water and sewer usage and we will discuss options with the DNR or seek a waiver for the City accounts being audited annually.

Conclusion – Response accepted.

(9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved but was not certified to the Iowa Department of Management on or before December 1. The report was filed on February 6, 2017.

In addition, the following exceptions were noted:

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

The amount reported by the City as TIF debt outstanding was overstated by \$950,832.

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

Response – The Annual Urban Renewal Report will be filed in a timely manner. TIF debts, receipts and disbursements included projects funded entirely by TIF funds and not for projects funded by a portion of TIF. This will be correctly proportioned in the next Annual Urban Renewal Report.

Conclusion – Response accepted.

City of Tiffin

Schedule of Findings

Year ended June 30, 2017

- (10) Financial Condition – The Capital Projects Fund and the Economic Development Fund had deficit balances of \$816,765 and \$70,132, respectively, at June 30, 2017.

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

Response – Deficit balances of these two funds have been corrected.

Conclusion – Response accepted.

City of Tiffin

Staff

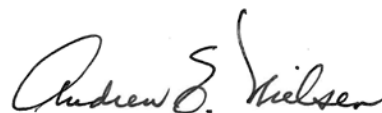
This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager

Jesse J. Harthan, Senior Auditor

Darrin D. Dafney, Assistant Auditor

Michael DeAngelis, Auditor Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State