

CITY 2021 Audit Programs

June 30, 2021 or the twelve month period ended \_\_\_\_\_

**TAX INCREMENT FINANCING**

PROCEDURE	DONE BY	W/P REF	N/A	REMARKS
<b>Objectives:</b>  A. TIF and related transactions are authorized, allowable and accounted for accurately. The annual TIF report has been prepared as required by the requirements of Chapter 384.22 of the Code of Iowa.  <b>TIF Obligations (indebtedness) are defined</b> in Chapter 403.19(6)(d) as including, but not limited to, "written agreements whereby the municipality agrees to exempt, rebate, refund or reimburse property taxes, provide a grant for property taxes paid, or make a direct payment of taxes, with moneys in the special fund..., and bonds, notes or other obligations that are secured by or subject to payment from moneys appropriated by the municipality from moneys in the special fund..."				
<b>Procedures:</b>  A. Determine tax increment financing (TIF) collections were properly recorded in a separate Special Revenue Fund (TIF fund) as required by Chapter 403.19 of the Code of Iowa.  B. Determine the TIF collections in the TIF fund were disbursed or transferred to pay TIF obligations that qualify for payment (within the urban renewal plan) from TIF collections and such obligations were previously certified to the County Auditor as TIF debt and/or Low-Moderate Income (LMI) housing.  <b>Note 1: The payment of attorney fees, legal fees, recording fees, project costs or other costs are never allowable to be paid from TIF funds.</b>  <b>Note 2: If the City incurs attorney fees, legal fees, recording fees project costs or other costs within the urban renewal area and in accordance with the urban renewal plan and wish to use TIF funds to cover the costs, the City must:.</b> <ol style="list-style-type: none"> <li>1. Pay the costs out of an allowable fund such as the General Fund.</li> <li>2. City Council approves an advance from the allowable fund to the TIF Fund.</li> <li>3. City certifies the advance to the County Auditor.</li> <li>4. City collects TIF revenue.</li> <li>5. City repays the advance from the TIF Fund to the allowable fund which paid the costs.</li> </ol> C. Obtain a copy of the Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation prepared by the County Auditor. <ol style="list-style-type: none"> <li>1. Review the Reconciliation to identify and document the City's certified TIF obligations.</li> </ol>				

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<p>2. Scan the Reconciliation for unusual or unallowable obligations (i.e., debt certified more than once, projected costs, etc.).</p> <p>D. Determine the following regarding the Tax Increment Debt Certificate due December 1 of the fiscal year under examination:</p> <ol style="list-style-type: none"> <li>1. The Certificate was filed by December 1.</li> <li>2. The amounts certified on Form 1 and Form 1.1, or equivalent documents, were for TIF debt not previously certified.</li> <li>3. The amounts certified on Form 1 and Form 1.1, or equivalent documents, were supported and represent loans, advances or other qualified indebtedness or bonds which qualify for payment from the TIF revenues of the urban renewal area in which the debt was certified</li> </ol> <p><b>NOTE:</b> For annual appropriated debt, the amount certified should be limited to the amount appropriated to be paid in the next fiscal year.</p> <ol style="list-style-type: none"> <li>4. The qualified TIF indebtedness is for a program in the urban renewal area, for an activity covered by the allowable list in Chapters 403.6(6) and 403.12(1) of the Code of Iowa, for a project covered by the plan and must further the goals of the plan.</li> <li>5. If applicable, determine if the general obligation debt certified is correct. Only the portion of the debt funded by TIF revenues should be certified. Any portion of the debt funded by levying debt service dollars should be excluded.</li> <li>6. The City used Form 2, or an equivalent document, to properly reduce the TIF request if/when the total amount of the legally available TIF increment tax was not wanted.</li> <li>7. The City certified Form 3, or an equivalent document, to reduce the amount previously certified by December 1 in the year action was taken which resulted in the reduction, as required by Chapter 403.19(6)(b) of the Code of Iowa.</li> </ol> <p><b>NOTE:</b> Required reductions include payments from sources other than TIF revenue, interest on investments, sale proceeds of TIF property, reduction of required principal and interest payments due to refunding or refinancing of the obligation or for any other reason (i.e. interest earned or property sales proceeds are required to be credited to the TIF fund).</p>				

