

CITY OF TIPTON, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
June 30, 2005

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CITY OF TIPTON

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|---|---------------------|
| Donald Young | Mayor | December 2007 |
| Shirley Kepford | 1 st Ward Council Person | December 2007 |
| Ellis Stonerook | 2 nd Ward Council Person | December 2005 |
| David Starr | 3 rd Ward Council Person | December 2007 |
| Donald McGlaughlin | At Large Council Person | December 2007 |
| Glenn Eaton | At Large Council Person | December 2005 |
| Doug Boldt | City Manager | |
| John Foley | Clerk, Collector | |
| Lorna Fletcher | Finance Officer/ Assistant City Clerk | |
| Steve Nash | Director of Public Works/ Zoning Administrator | |
| Virgil Penrod | Gas Superintendent | |
| John Packwood | Electric Superintendent | |
| Roger Hakeman | Chief of Police | |
| L.E. Dendinger | City Attorney | Indefinite |

CITY OF TIPTON

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Tipton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2005 on our consideration of the City of Tipton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 19 and 44 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the previous two years (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 13, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
September 14, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tipton provides this Management's Discussion and Analysis of its financial statements as a narrative overview of the financial activities for the fiscal year ended June 30, 2005. Readers are encouraged to consider this information in conjunction with the City's Financial Statements which follow.

2005 FINANCIAL HIGHLIGHTS

- The City's total cash basis net assets increased by 30% at the close of fiscal year 2005 by \$1,718,916. Governmental Activities cash basis net assets increased by \$1,940,687 due largely to unreceipted proceeds of \$4,344,334 from the bond issue and loan proceeds for the new Family Aquatic Center which started construction in August 2004 and was opened in June of 2005.
- City Governmental Activities revenues increased \$6,574,730 or 196% when compared to fiscal year 2004. Significant changes to receipts occurred in long-term debt proceeds referred to above.
- General Government Activities expenditures increased \$2,327,109 or 41% during this same period. The increase results from the city's purchase of property adjacent to the city park and expenses associated with the opening of the Family Aquatic Center.
- Business-type activities (the City's enterprise funds) operating revenues increased by \$322,148 or 5.5% and direct operating expenses increased \$687,631 or 14.8% when compared to last year.
- The City has \$9,017,707 in long term debt compared to \$5,513,809 at the close of FY 2004. The increase in debt is from the note and loan proceeds for Family Aquatic Center and from the Sewer Revenue note. The note and loan for the Family Aquatic Center will be paid by property tax payers within the Tipton Community School district and pledges. The general obligation debt of \$245,000 is payable by property tax levy and the additional \$1,235,000 general obligation debt for street improvements is being paid by Road Use Tax (RUT) revenues. The remainder of the debt is revenue bond issues being paid by service fees for water, sewer, and electric utilities.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Statement of Activities and Cash Basis Net Assets (Exhibit A). This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

- The Government Fund Financial Statements (Exhibits B & C) tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- The Proprietary Fund Financial Statements (Exhibit D) tell how business-type activities were financed in the short term as well as what remains for future spending.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information provides budgetary comparison schedules of receipts, disbursements, and changes in balances for all Governmental and Proprietary Funds.
- Other Supplementary Information provides detailed information about the non-major governmental funds.

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 procedures. Therefore, when reviewing the financial information and discussion within this annual report, the reader 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 more important questions asked about the City's finances is: "Is the City as a whole better or worse off as a result of the fiscal year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question. The Statement presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two different kinds of activities:

- Governmental Activities including public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants and disbursements finance most of these activities.
- Business Type Activities include the utilities such as electric, natural gas, water, sewer, and garbage collection. These activities are primarily financed by user charges.

Fund Financial Statements

The City has two types of funds:

- 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 in the following year. 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, 4) the Capital Projects Fund, and 5) The Permanent 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 statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balance.
- Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains a number of enterprise funds to provide separate information for electric and gas funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.
 - The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.
 - Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

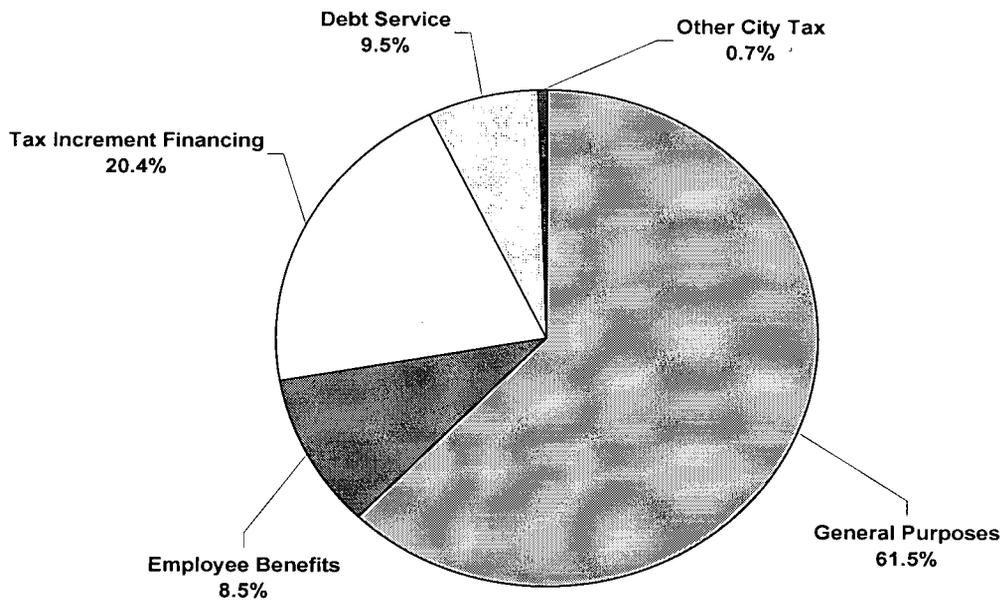
Net assets may serve, over time, as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from \$1,724,044 to \$3,664,187. The greatest single factor affecting this increase was the \$3,664,731 long-term debt proceeds for the Family Aquatic Center. The analysis following focuses on the changes in cash balances for governmental activities.

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

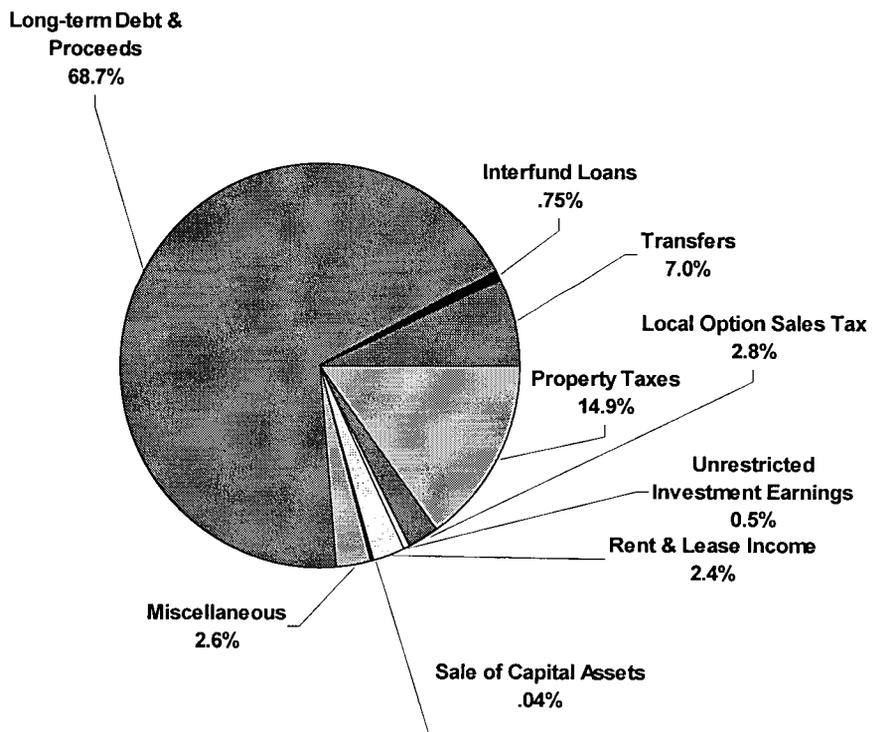
GOVERNMENTAL ACTIVITIES

| | June 30, <u>2005</u> | June 30, <u>2004</u> |
|---|---------------------------------|---------------------------------|
| Receipts and Transfers: | | |
| Program receipts: | | |
| Charges for service | \$ 203,802 | \$ 118,319 |
| Operating grants, contributions and restricted interest | 603,370 | 398,247 |
| Capital grants, contributions and restricted interest | 2,796,245 | 1,067,933 |
| General receipts: | | |
| Property tax | 939,870 | 899,046 |
| Local Option Sales Tax | 173,920 | 184,995 |
| Unrestricted investment earnings | 30,985 | 13,774 |
| Rent and lease income | 151,600 | 47,791 |
| Special assessments | 26,228 | 1,200 |
| Miscellaneous | 164,953 | 5,994 |
| Long term debt proceeds | 4,344,334 | 7,500 |
| Sale of capital assets | 2,535 | 23,802 |
| Interfund loans | 47,350 | 137,031 |
| Transfers, net | <u>439,839</u> | <u>444,125</u> |
| Total receipts and transfers | <u>9,925,031</u> | <u>3,349,757</u> |
| Disbursements: | | |
| General government: | | |
| Public safety | 586,004 | 720,348 |
| Public works | 434,109 | 357,816 |
| Culture and recreation | 373,104 | 267,677 |
| Community and economic development | 51,291 | 27,501 |
| General government | 676,354 | 355,943 |
| Debt service | 266,375 | 347,826 |
| Capital projects | <u>5,597,107</u> | <u>3,590,124</u> |
| Total general government disbursements | <u>7,984,344</u> | <u>5,657,235</u> |
| Change in Cash Basis Net Assets | 1,940,687 | (2,307,478) |
| Cash Basis Net Assets, Beginning of Year | <u>1,724,044</u> | <u>4,031,522</u> |
| Cash Basis Net Assets, End of Year | <u>\$3,664,731</u> | <u>\$1,724,044</u> |

Property Tax Levies



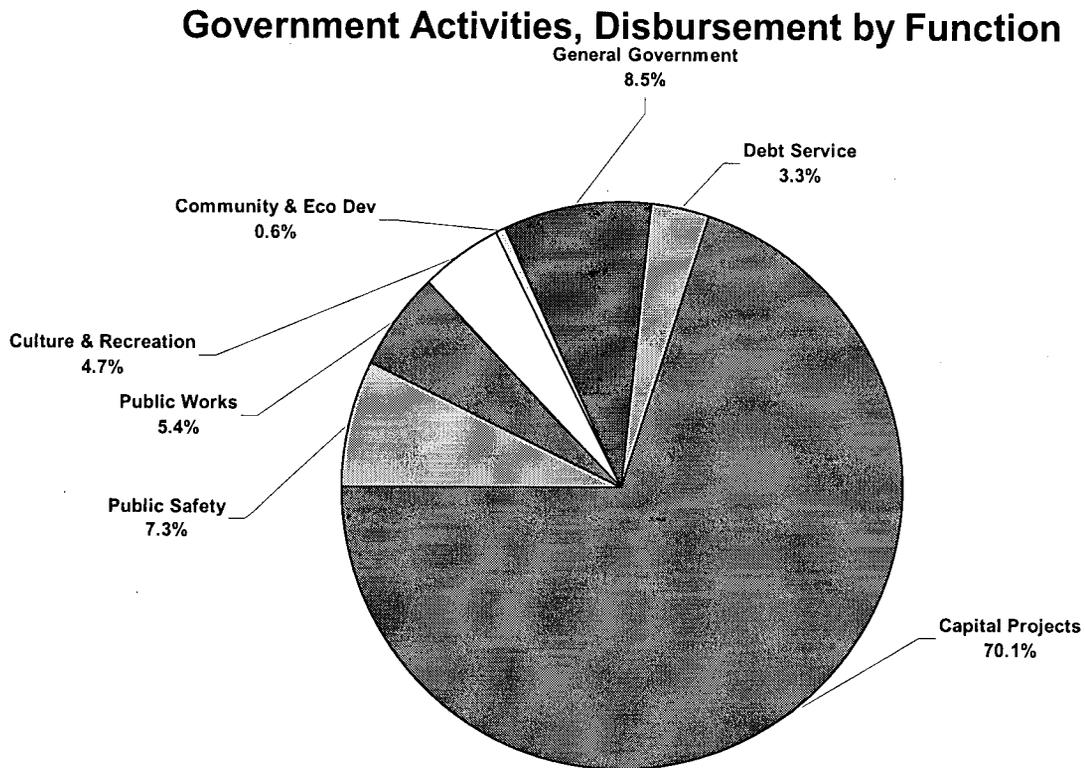
Receipts by Source



The City's total receipts for governmental activities increased by \$4,555,448 from the previous year, due largely to the receipt of bond and loan proceeds for the Family Aquatic Center. The total cost of all programs increased \$3,120,895 or 29.2% with no new programs added during the year. The majority of disbursement increase was due to significant capital costs incurred for street improvements and the wastewater treatment plant.

The City did increase property tax rates for 2005 by 3.6%. The increase is due to a change in levy for debt service for the street improvements bond levy and special revenue levy for tort liability. There was no increase in the general government levy of \$8.10 per \$1,000 of assessed taxable valuation. The overall increase in levy proceeds is due to increased total assessed valuation, even though the residential rollback rate continues to erode the primary base of property tax base in the city.

The cost of all governmental activities this year was \$13,825,976 compared to \$10,705,081 last year. The amount financed by property taxpayers was \$939,870. The remainder was financed by charges for services for those directly benefiting from the programs (\$6,209,178) or by other governments or organizations that subsidized certain programs with grants, contributions, and restricted interest (\$3,422,277) as well as other general receipts.



STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

BUSINESS TYPE ACTIVITIES

| | <u>June 30,</u> <u>2005</u> | <u>June 30,</u> <u>2004</u> |
|---|--|--|
| Receipts: | | |
| Program receipts: | | |
| Charges for service | \$6,005,376 | \$5,663,944 |
| Operating grants, contributions and restricted interest | 22,662 | 48,845 |
| Capital grants, contributions and restricted interest | - | - |
| General receipts: | | |
| Unrestricted investment earnings | 1,000 | 59,138 |
| Rent and lease income | - | 6,007 |
| Sale of capital assets | - | - |
| Miscellaneous | - | 3,473 |
| | <u>6,029,038</u> | <u>5,781,407</u> |
| Total receipts and transfers | | |
| Disbursements and transfers: | | |
| Electric | 2,841,763 | 2,433,140 |
| Water | 509,078 | 539,468 |
| Gas | 1,683,137 | 1,468,534 |
| Wastewater | 358,311 | 198,902 |
| Communications | 1,223 | 5,662 |
| Airport | 46,243 | 24,712 |
| Garbage | 359,192 | 337,284 |
| Cemetery | 42,685 | 40,144 |
| | <u>5,841,632</u> | <u>5,047,846</u> |
| Total disbursements | | |
| Interfund transfers | 47,350 | 137,031 |
| Transfers, net | 439,839 | 444,125 |
| | <u>6,328,821</u> | <u>5,629,002</u> |
| Total disbursements and transfers | | |
| Change in Cash Basis Net Assets | (222,066) | 152,405 |
| Cash Basis Net Assets, Beginning of Year | <u>4,057,082</u> | <u>3,904,677</u> |
| Cash Basis Net Assets, End of Year | <u>\$3,835,016</u> | <u>\$4,057,082</u> |

Total business-type activities receipts for the fiscal year were \$6,029,038 compared to \$5,781,407 last year. This change was due primarily to slightly increased fees for electric and natural gas rates and due to higher consumption levels for all services. Total disbursements and transfers for the fiscal year were \$6,328,821 compared to \$5,629,002 last year. The higher level of disbursements were due to increases in energy and supply costs.

INDIVIDUAL NONMAJOR GOVERNMENTAL FUND ANALYSIS

As the city completed this year, its governmental funds reported a combined fund balance of \$3,226,696, an increase over last year's total of \$1,118,153. The following are the major reasons for the changes of fund balances of the governmental funds from the prior year.

1. The General Fund cash balance decreased \$13,817 from the prior year to \$382,919. This was due largely to a decrease in transfer activity.
2. The Road Use Tax Fund cash balance increased \$34,535 from the prior year to \$246,606. This was due to the fact we only had to use current year payments for debt service on the street improvements general obligation bond issue and for segments of the street resurfacing ongoing program.
3. The Urban Renewal Tax Increment Fund certified debt has been in existence since 1998 and has been utilized for a number of improvements including water, sewer, and gas main extensions to the Tipton Business Park. In the current fiscal year, the \$6,139 was utilized for preliminary work for the west side sewer interceptor to service undeveloped areas west of the City.
4. The Debt Service Fund cash balance increased by \$4,520 to \$232,418 from the prior year for water/sewer revenue bond debt service.
5. The Combined Electric Enterprise Fund decreased by \$21,731 to \$968,655 from the prior year due to debt service on revenue bonds and transfers to general government.
6. The Water Enterprise Fund increased by \$32,450 to \$311,275 due to efficiencies in contract operations and plans to provide supplementary reserves, in addition to a revenue bond issue, for construction of a new elevated water storage facility.
7. The Gas Enterprise Fund decreased by \$3,777 to \$443,610 due to a slight lagging gas purchase price adjustment in the rates established by ordinance when gas commodity prices began to fluctuate widely in the winter months.
8. The Wastewater Enterprise Fund increased by \$75,969 to \$337,187 to provide debt service for a \$3.2 million State Revolving Fund (SRF) issue for construction of the new West Wastewater Treatment Facility completed in 2004.
9. The Garbage Collection Enterprise Fund decreased by \$60,595 to \$175,439 due to City Wide Cleanup and deferral of commercial collection rate increase.
10. The Airport Operating Enterprise Fund decreased by \$24,004 to \$36,958 due to a new credit card fueling system and planning for other planned improvements.
11. The Cemetery Enterprise Fund decreased by \$22,474 to \$12,279 due to the purchase of new maintenance equipment and a slow year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time which resulted in an increase in budgeted receipts and disbursements by \$9,119,310 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

On June 30, 2005, the City had \$9,017,707 in bonds and other long-term debt, compared to \$5,513,809 at the beginning of the year.

Outstanding Debt at June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|------------------------------|---------------------|---------------------|
| General Obligation Bonds: | | |
| Water and sewer refunding | \$ - | \$ - |
| General Obligation Notes: | | |
| Street improvements | 245,000 | 320,000 |
| Water improvements | 385,000 | 565,000 |
| Street improvements | <u>1,235,000</u> | <u>1,370,000</u> |
| Total | <u>1,865,000</u> | <u>2,255,000</u> |
| Revenue Bonds: | | |
| Sewer revenue* | <u>3,007,334</u> | <u>-</u> |
| Revenue Notes: | | |
| Electric revenue | 1,570,000 | 1,925,000 |
| Water revenue | 1,305,000 | 1,305,000 |
| FAC anticipatory note | <u>1,250,000</u> | <u>-</u> |
| Total | <u>4,125,000</u> | <u>3,230,000</u> |
| Capital Lease Obligation: | | |
| Copier and related equipment | <u>20,373</u> | <u>28,809</u> |
| Total indebtedness | <u>\$ 9,017,707</u> | <u>\$ 5,513,809</u> |

Debt increased as a result of the note and loan proceeds for the new Family Aquatic Center and from the Sewer Revenue Bond for the new Wastewater Treatment Facility. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,865,000 is well below the constitutional debt limit of \$5,986,777. Although secured as general obligation debt, only the \$245,000 street improvement debt remaining is serviced by property tax levy. The remainder of the general obligation notes are serviced by Road Use Tax Revenue or Water Revenue.

2005 GENERAL HIGHLIGHTS

- The City completed the design and construction of a Family Aquatic Center for \$5,000,000 to replace the City's outdoor swimming pool.
- The City began preliminary work on a new 500,000 gallon elevated water tower. Estimated cost of construction is \$950,000. On March 1, 2006, the City was awarded a \$600,000 Community Development Block Grant. The project is anticipated to be bid in June 2006.

- The Tipton Development Commission will be the recipient of 25% of a recently passed 1% Local Option Sales and Service Tax that will fund the budget of a Community Development Director. The City will supply office space, logistical support and pay for the benefits package for the position.
- The City completed the last phase of a three-year street reconstruction program. Funding was provided by a \$1,500,000 General Obligation Bond.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenues

Economic Condition - which can reflect a declining, stable or growing economic environment and has a substantial impact on property, sales, gas and other tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

Increase/Decrease in Council approved rates - while certain tax rates are set by statutes, the City Council has significant authority to impose and periodically increase/decrease rates (electricity, natural gas, sanitation, recycling, water, wastewater, permitting, recreation user fees, and facility rental fees, etc.)

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) - certain recurring revenues (state revenue sharing, block grants, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons. In addition, the state revenue sharing has diminished significantly during this fiscal year, and there are no signs that such sharing will return.

Contribution from the Utilities Funds - the City owns and operates the Water & Sewer, Electric, and Natural Gas utility system and provides administrative and support services for the utility. In return, the City receives payments from the utility. Therefore, the ongoing competitiveness and vitality of the utility is important to the City's well being.

Market Impacts on Investment Income - due to varying maturities on the City's investments and the varying nature of the market in general, City investment income may fluctuate from year to year.

Expenses

Introduction of New Programs - within the functional expense categories (General Government, Public Safety - Police and Fire, Cultural and Recreation, and Redevelopment, etc.) individual programs may be added or deleted to meet changing community needs.

Increase/Decrease in Authorized Personnel - changes in service demand may cause the Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 32% of the City's total budget and 64% of the General Fund budget.

Salary Increases (cost of living, merit and market adjustment) - the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation - while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals and supplies, fuel and parts. Some functions may experience unusual commodity specific increases (for example fuel prices).

FUTURE FACTORS & BUDGET

Tipton's elected and appointed officials considered the above factors when establishing the FY 2006 budget, tax rates, and fees that will be charged for various City activities. The City and surrounding county has unfortunately seen an increase in the last year in the unemployment rate that has risen above the state average (4.7% versus 4.1%) but the median household income still remains above the state average of \$42,198 versus \$39,468.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.3% for FY2005 compared to 3.6% nationally. Locally, stable housing energy prices have helped keep the index low. Energy prices are, however, predicted to show a steady rise, especially in natural gas purchases.

These indicators were taken into account when adopting the budget for FY2006.

Revenues, 2005-2006

The City's property tax grew based on a 1.01% taxable value increase. The City's Regular General Levy remains at \$8.10/\$1,000 of assessed value while debt service permissible levies increased from \$2.65714/\$1,000 to \$3.29457 of assessed value. Overall tax based revenues are expected to show a modest increase of \$37,256 to \$784,133.

The City will construct a new west-side sanitary sewer interceptor to provide sewer service to previously undeveloped areas. Anticipated cost of the project is \$373,000 and will be bid the summer of 2006. Funding for the project will be from Tax Increment Financing.

A 1% annual increase in electric rates is anticipated to take effect in April. The City has modified its natural gas rates and the procedure by which commodity price adjustments are included in billings to customers.

Expenses, 2005-2006

No new programs are planned for the coming year. The City will be participating in the hiring of a Community Development Director. The position will be funded by the revenue from a 1% Local Option Sales and Service Tax plus the City will provide office space, logistical support and pay for the benefits package. The position will start in either the Spring or Summer of 2006..

Expenses Anticipated, 2006 +

The City continues with its plans to construct a new fire station. Additional reserve funds for property acquisition were not included in the next budget year as all the necessary property has been acquired. The Fire Station Project is anticipated to be a voted referendum general obligation issue in 2008-2009. Request for Proposals to select an engineering and architectural firm are currently under review.

The City continues with its plans to construct a new 500,000 gallon elevated water tower. The estimated cost of \$950,000 will be financed with a \$600,000 Community Development Block Grant and a revenue bond issue planned to occur in 2007 after the retirement of the current \$800,000 GO Water Improvement issued in 1994.

The City faces proportional costs based upon its .5% ownership of the Louisa Generation Plant (LGP) for installation of emissions controls. Tipton's share is estimated to be over \$810,000 between 2005 and 2014.

The City is still considering additional standby generation. The City currently owns 4 MW of dual-fuel (natural gas/diesel) generation dedicated to the wholesale energy supplier, Resale Power Group of Iowa (RPGI). Investigation is underway into whether the addition of 2 MW of diesel generation for peak-shaving only would provide sufficient demand capacity cost reduction to justify an estimated \$400,000 expenditure.

Alliant Energy has indicated that it plans to upgrade the current 34.5 KV electric transmission lines serving Tipton to 69 KV in the future. Prior to this occurrence, the City will need to upgrade its power substation to 69 KV standards. Cost for this upgrade is estimated to be \$2.2 million and will likely occur in 2007-2008. The City anticipates a revenue bond issue for this project.

Expenditures related to personnel costs and associated benefits continue to increase as a direct result of the increased cost of health insurance coverage. Although the City is an aggressive participant in partial self-funded health coverage, we have nonetheless faced premium cost increases around 15% annually with no expectation that this will not continue in the short run.

CONTACT INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, contact the City Manager at City Hall at 407 Lynn Street, Tipton, Iowa 52772, telephone (563) 886-6187.

Respectfully submitted,

Doug Boldt
City Manager

BASIC FINANCIAL STATEMENTS

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

| | <u>Disbursements</u> | <u>Charges for Services</u> | <u>Program Receipts</u> | |
|--------------------------------------|----------------------|-----------------------------|---|--|
| | | | <u>Operating Grants, Contributions, and Restricted Interest</u> | <u>Capital Grants, Contributions and Restricted Interest</u> |
| FUNCTIONS/PROGRAMS: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 586,004 | \$ 124,760 | \$ 56,277 | \$ - |
| Public works | 434,109 | 1,216 | 265,158 | 8,511 |
| Culture and recreation | 373,104 | 60,725 | 29,715 | 125 |
| Community and economic development | 51,291 | - | 168,936 | - |
| General government | 676,354 | 17,101 | 6,238 | - |
| Debt service | 266,375 | - | - | - |
| Capital projects | <u>5,597,107</u> | <u>-</u> | <u>77,046</u> | <u>2,787,609</u> |
| Total governmental activities | <u>7,984,344</u> | <u>203,802</u> | <u>603,370</u> | <u>2,796,245</u> |
| Business-type activities: | | | | |
| Electric | 2,841,763 | 2,974,201 | 7,206 | - |
| Water | 509,078 | 511,766 | 840 | - |
| Gas | 1,683,137 | 1,706,012 | 2,329 | - |
| Wastewater | 358,311 | 473,770 | 10,092 | - |
| Communications | 1,223 | 18,220 | - | - |
| Airport | 46,243 | 19,382 | 38 | - |
| Garbage | 359,192 | 286,010 | 462 | - |
| Cemetery | <u>42,685</u> | <u>16,015</u> | <u>1,695</u> | <u>-</u> |
| Total business type activities | <u>5,841,632</u> | <u>6,005,376</u> | <u>22,662</u> | <u>-</u> |
| Total | <u>13,825,976</u> | <u>6,209,178</u> | <u>626,032</u> | <u>2,796,245</u> |
| GENERAL RECEIPTS: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | |
| Employee benefits | | | | |
| Tax increment financing | | | | |
| Debt service | | | | |
| Other city tax | | | | |
| Local option sales tax | | | | |
| Unrestricted interest on investments | | | | |
| Rent and lease income | | | | |

**Net (Disbursements) Receipts and
Change in Cash Basis Net Assets**

| <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|---|--|---------------------|
| \$ (404,967) | \$ - | \$ (404,967) |
| (159,224) | - | (159,224) |
| (282,539) | - | (282,539) |
| 117,645 | - | 117,645 |
| (653,015) | - | (653,015) |
| (266,375) | - | (266,375) |
| <u>(2,732,452)</u> | <u>-</u> | <u>(2,732,452)</u> |
| | | |
| <u>(4,380,927)</u> | <u>-</u> | <u>(4,380,927)</u> |
| | | |
| - | 139,644 | 139,644 |
| - | 3,528 | 3,528 |
| - | 25,204 | 25,204 |
| - | 125,551 | 125,551 |
| - | 16,997 | 16,997 |
| - | (26,823) | (26,823) |
| - | (72,720) | (72,720) |
| - | (24,975) | (24,975) |
| <u>-</u> | <u>186,406</u> | <u>186,406</u> |
| | | |
| <u>(4,380,927)</u> | <u>186,406</u> | <u>(4,194,521)</u> |
| | | |
| 574,263 | - | 574,263 |
| 80,297 | - | 80,297 |
| 190,192 | - | 190,192 |
| 89,045 | - | 89,045 |
| 6,073 | - | 6,073 |
| 173,920 | - | 173,920 |
| 30,985 | 77,717 | 108,702 |
| 151,600 | 1,000 | 152,600 |

(continued)

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

| | | Program Receipts | |
|---|------------------------------------|---|--|
| <u>Disbursements</u> | <u>Charges for Services</u> | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Special assessments | | | |
| Miscellaneous | | | |
| Long term debt proceeds | | | |
| Sale of capital assets | | | |
| Interfund loans | | | |
| Transfers | | | |
| Total general receipts and transfers | | | |
| CHANGE IN CASH BASIS NET ASSETS | | | |
| CASH BASIS NET ASSETS, BEGINNING | | | |
| CASH BASIS NET ASSETS, ENDING | | | |
| CASH BASIS NET ASSETS: | | | |
| Restricted: | | | |
| Deposits | | | |
| Debt service | | | |
| Other purposes | | | |
| Unrestricted | | | |
| TOTAL CASH BASIS NET ASSETS | | | |

**Net (Disbursements) Receipts and
Change in Cash Basis Net Assets**

| Governmental Activities | Business Type Activities | Total |
|------------------------------------|---|---------------------|
| 26,228 | - | 26,228 |
| 164,953 | - | 164,953 |
| 4,344,334 | - | 4,344,334 |
| 2,535 | - | 2,535 |
| 47,350 | (47,350) | - |
| <u>439,839</u> | <u>(439,839)</u> | <u>-</u> |
| <u>6,321,614</u> | <u>(408,472)</u> | <u>5,913,142</u> |
| 1,940,687 | (222,066) | 1,718,621 |
| <u>1,724,044</u> | <u>4,057,082</u> | <u>5,781,126</u> |
| <u>\$ 3,664,731</u> | <u>\$ 3,835,016</u> | <u>\$ 7,499,747</u> |
| | | |
| \$ - | \$ 29,809 | \$ 29,809 |
| 232,418 | 605,536 | 837,954 |
| 438,036 | 1,118,692 | 1,556,728 |
| <u>2,994,277</u> | <u>2,080,979</u> | <u>5,075,256</u> |
| <u>\$ 3,664,731</u> | <u>\$ 3,835,016</u> | <u>\$ 7,499,747</u> |

These financial statements should be read only in connection
with the accompanying notes to the financial statements.

CITY OF TIPTON

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

As of and for the year ended June 30, 2005

| | | <u>Special Revenue</u> | <u>Capital Projects</u> | | |
|---|------------------|-----------------------------|--------------------------------------|---------------------------|---|
| | <u>General</u> | <u>Aquatic Campaign</u> | <u>GO Street Improvement</u> | <u>Aquatic Center</u> | <u>GO Street Improvement 03</u> |
| RECEIPTS: | | | | | |
| Property tax | \$ 574,263 | \$ - | \$ - | \$ - | \$ - |
| Tax increment financing collections | - | - | - | - | - |
| Other city tax | 6,073 | - | - | - | - |
| Licenses and permits | 4,895 | - | - | - | - |
| Use of money and property | 18,393 | 8,633 | 8,511 | 208 | 13,860 |
| Intergovernmental | 22,741 | - | - | - | - |
| Charges for services | 208,019 | - | - | - | - |
| Special assessments | 26,228 | - | - | - | - |
| Miscellaneous | <u>50,759</u> | <u>294,268</u> | <u>-</u> | <u>2,202,186</u> | <u>6,734</u> |
| Total receipts | <u>911,371</u> | <u>302,901</u> | <u>8,511</u> | <u>2,202,394</u> | <u>20,594</u> |
| DISBURSEMENTS: | | | | | |
| Operating: | | | | | |
| Public safety | 586,004 | - | - | - | - |
| Public works | 380,986 | - | - | - | - |
| Health and social services | - | - | - | - | - |
| Culture and recreation | 353,887 | - | - | - | - |
| Community and economic development | - | - | - | - | - |
| General government | 143,896 | - | - | - | - |
| Debt service | - | - | - | - | - |
| Capital projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,460,411</u> | <u>432,763</u> |
| Total disbursements | <u>1,464,773</u> | <u>-</u> | <u>-</u> | <u>4,460,411</u> | <u>432,763</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(553,402)</u> | <u>302,901</u> | <u>8,511</u> | <u>(2,258,017)</u> | <u>(412,169)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Debt proceeds | - | - | - | 1,250,000 | - |
| Interfund loan proceeds | 84,231 | - | - | 866,726 | - |
| Operating transfers in | 517,102 | - | - | - | - |
| Interfund loan advances | - | (866,726) | - | - | - |
| Operating transfers out | <u>(61,748)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net other financing sources (uses) | <u>539,585</u> | <u>(866,726)</u> | <u>-</u> | <u>2,116,726</u> | <u>-</u> |

| Total Nonmajor Governmental | |
|--|------------------------|
| <u>Funds</u> | <u>Totals</u> |
| \$ 169,342 | \$ 743,605 |
| 190,192 | 190,192 |
| 173,920 | 179,993 |
| - | 4,895 |
| 20,642 | 70,247 |
| 729,527 | 752,268 |
| 910 | 208,929 |
| - | 26,228 |
| <u>78,628</u> | <u>2,632,575</u> |
| <u>1,363,161</u> | <u>4,808,932</u> |
| - | 586,004 |
| 53,123 | 434,109 |
| - | - |
| 19,217 | 373,104 |
| 51,291 | 51,291 |
| 176,307 | 320,203 |
| 266,375 | 266,375 |
| <u>703,933</u> | <u>5,597,107</u> |
| <u>1,270,246</u> | <u>7,628,193</u> |
| <u>92,915</u> | <u>(2,819,261)</u> |
| 3,094,334 | 4,344,334 |
| - | 950,957 |
| 503,374 | 1,020,476 |
| (36,881) | (903,607) |
| <u>(520,849)</u> | <u>(582,597)</u> |
| <u>3,039,978</u> | <u>4,829,563</u> |

(continued)

CITY OF TIPTON

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

As of and for the year ended June 30, 2005

| | | <u>Special Revenue</u> | <u>Capital Projects</u> | | |
|-------------------------------------|-------------------|-----------------------------|--------------------------------------|-------------------------------------|---|
| | <u>General</u> | <u>Aquatic Campaign</u> | <u>GO Street Improvement</u> | <u>Waste- water Project</u> | <u>GO Street Improvement 03</u> |
| NET CHANGE IN CASH BALANCE | (13,817) | (563,825) | 8,511 | (141,291) | (412,169) |
| CASH BALANCE, BEGINNING | <u>396,736</u> | <u>563,825</u> | <u>738,453</u> | <u>-</u> | <u>914,008</u> |
| CASH BALANCE, ENDING | <u>\$ 382,919</u> | <u>\$ -</u> | <u>\$ 746,964</u> | <u>\$ (141,291)</u> | <u>\$ 501,839</u> |
| CASH BASIS FUND BALANCE: | | | | | |
| Restricted: | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted: | | | | | |
| General | 382,919 | - | - | - | - |
| Special revenue funds | - | - | - | - | - |
| Permanent | - | - | - | - | - |
| Capital project funds | <u>-</u> | <u>-</u> | <u>746,964</u> | <u>(141,291)</u> | <u>501,839</u> |
| Total cash basis fund balance | <u>\$ 382,919</u> | <u>\$ -</u> | <u>\$ 746,964</u> | <u>\$ (141,291)</u> | <u>\$ 501,839</u> |

| Total Nonmajor Governmental Funds | Totals |
|--|--------------------|
| 3,132,893 | 2,010,302 |
| <u>(1,396,629)</u> | <u>1,216,393</u> |
| <u>\$1,736,264</u> | <u>\$3,226,695</u> |
| | |
| \$ 232,418 | \$ 232,418 |
| - | 382,919 |
| 930,266 | 930,266 |
| 99,150 | 99,150 |
| <u>474,430</u> | <u>1,581,943</u> |
| | |
| <u>\$1,736,264</u> | <u>\$3,226,696</u> |

These financial statements should be read only in connection with the accompanying notes to the financial statements.

CITY OF TIPTON

**Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds**

As of and for the year ended June 30, 2005

Total governmental funds cash balances \$ 3,226,696

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Revenue Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost reimbursement basis.

438,035

Cash basis net assets of governmental activities \$ 3,664,731

Net change in cash balances \$ 2,010,302

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Revenue Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost reimbursement basis.

(69,615)

Change in cash balance of governmental activities \$ 1,940,687

CITY OF TIPTON

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

As of and For the Year Ended June 30, 2005

| | <u>Electric Operating</u> | <u>Gas Operating</u> | <u>Total Nonmajor Proprietary Funds</u> | <u>Totals</u> |
|---|-------------------------------|--------------------------|---|------------------|
| OPERATING RECEIPTS: | | | | |
| Licenses and permits | \$ 520 | \$ 85 | \$ 400 | \$ 1,005 |
| Intergovernmental | - | - | 1,386 | 1,386 |
| Charges for services | 2,954,526 | 1,696,456 | 1,306,219 | 5,957,201 |
| Miscellaneous | <u>16,175</u> | <u>2,480</u> | <u>51,614</u> | <u>70,269</u> |
| Total operating receipts | <u>2,971,221</u> | <u>1,669,021</u> | <u>1,359,619</u> | <u>6,029,861</u> |
| OPERATING DISBURSEMENTS: | | | | |
| General governmental | - | - | - | - |
| Business type activities: | | | | |
| Electric | 2,402,002 | - | 9,890 | 2,411,892 |
| Water | - | - | 241,568 | 241,568 |
| Gas | - | 1,663,307 | 19,830 | 1,683,137 |
| Wastewater | - | - | 176,438 | 176,438 |
| Communications | - | - | 1,223 | 1,223 |
| Airport | - | - | 46,243 | 46,243 |
| Garbage | - | - | 359,192 | 359,192 |
| Cemetery | <u>-</u> | <u>-</u> | <u>42,685</u> | <u>42,685</u> |
| Total operating disbursements | <u>2,402,002</u> | <u>1,663,307</u> | <u>897,069</u> | <u>4,962,378</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>569,219</u> | <u>35,714</u> | <u>462,550</u> | <u>1,067,483</u> |
| NONOPERATING RECEIPTS (DISBURSEMENTS): | | | | |
| Interest on investments | 27,902 | 93 | 45,417 | 73,412 |
| Rents | - | - | 3,482 | 3,482 |
| Debt service | <u>-</u> | <u>-</u> | <u>(879,254)</u> | <u>(879,254)</u> |
| Net nonoperating receipts (disbursements) | <u>27,902</u> | <u>93</u> | <u>(830,355)</u> | <u>(802,360)</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>597,121</u> | <u>35,807</u> | <u>(367,805)</u> | <u>265,123</u> |

**Internal
Service
Funds**

\$ -
-
-
126,414

126,414

356,151

-
-
-
-
-
-
-
-

356,151

(229,737)

13,802
141,825
-

155,627

(74,110)

CITY OF TIPTON

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

As of and For the Year Ended June 30, 2005

| | <u>Electric Operating</u> | <u>Gas Operating</u> | <u>Total Nonmajor Proprietary Funds</u> | <u>Totals</u> |
|---------------------------------------|-------------------------------|--------------------------|---|-------------------------|
| OTHER FINANCING SOURCES (USES) | | | | |
| Interloan fund | - | - | 36,881 | 36,881 |
| Operating transfers in | 17,881 | 1,227 | 978,260 | 997,368 |
| Sale of fixed assets | - | - | - | - |
| Interfund loan advances | - | - | (84,231) | (84,231) |
| Operating transfers out | <u>(816,661)</u> | <u>(11,788)</u> | <u>(608,758)</u> | <u>(1,437,207)</u> |
| Net other financing sources (uses) | <u>(798,780)</u> | <u>(10,561)</u> | <u>322,152</u> | <u>(487,189)</u> |
| NET CHANGE IN CASH BALANCE | (201,659) | 25,246 | (45,653) | (222,066) |
| CASH BALANCE, BEGINNING | <u>1,681,215</u> | <u>30,064</u> | <u>2,345,803</u> | <u>4,057,082</u> |
| CASH BALANCE, ENDING | <u>\$ 1,479,556</u> | <u>\$ 55,310</u> | <u>\$ 2,300,150</u> | <u>\$ 3,835,016</u> |
| CASH BASIS FUND BALANCE: | | | | |
| Reserved: | | | | |
| Deposits | \$ - | \$ - | \$ 29,809 | \$ 29,809 |
| Debt service | - | - | 605,536 | 605,536 |
| Other purposes | - | - | 1,118,692 | 1,118,692 |
| Unreserved | <u>1,479,556</u> | <u>55,310</u> | <u>546,113</u> | <u>2,080,979</u> |
| Total cash basis fund balance | <u>\$ 1,479,556</u> | <u>\$ 55,310</u> | <u>\$ 2,300,150</u> | <u>\$ 3,835,016</u> |

**Internal
Service
Funds**

| |
|-------------------|
| - |
| 1,960 |
| 2,535 |
| - |
| - |
| <hr/> |
| 4,495 |
| |
| (69,615) |
| |
| <hr/> |
| 507,651 |
| |
| <u>\$ 438,036</u> |
| |
| \$ - |
| - |
| 438,036 |
| - |
| <hr/> |
| <u>\$ 438,036</u> |

These financial statements should be read only in connection with the accompanying notes to the financial statements.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Tipton is a political subdivision of the State of Iowa located in Cedar County. It was first incorporated in 1840 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, culture, recreation, public improvements and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Tipton 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.

Jointly Governed Organizations

The City also 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: Cedar County Assessor's Conference Board, Cedar County Joint E911 Service Board, Cedar County Emergency Management Commission, and Cedar County Solid Waste Commission.

In addition to the jointly governed organizations identified above, the City has an agreement with the cities of Wilton and Durant for joint operation of a street sweeper.

B. Basis of Presentation

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

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

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

CITY OF TIPTON

Notes to Financial Statements

June 30, 2005

(1) **Summary of Significant Accounting Policies** (continued):

B. Basis of Presentation (continued)

Governmental-wide Financial Statements (continued)

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Aquatic Campaign Fund is used to collect donated funds for the new aquatic center currently under construction.

Capital Projects:

The GO Street Improvement Fund is used to account for a street improvement project.

The Aquatic Center Project Fund is used to account for the aquatic center capital project.

The 2003 GO Street Improvement Project Fund is used to account for the 2003 street improvement project.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2005

(1) **Summary of Significant Accounting Policies** (continued):

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

The City reports the following major proprietary funds:

The Electric Operating Fund accounts for the operation and maintenance of the City's electric system.

The Gas Operating Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Tipton 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, or accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

CITY OF TIPTON

Notes to Financial Statements

June 30, 2005

(2) Cash and Pooled Investments (continued)

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds, Notes and Warrants Payable

The annual debt service requirements to maturity of general obligation bonds and notes and revenue bonds and notes are as follows:

| | <u>General Obligation Bonds and Notes</u> | | <u>Revenue and Anticipatory Bonds and Notes</u> | | <u>Total</u> | |
|------|---|-------------------|---|---------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 410,000 | \$ 65,317 | \$ 1,812,000 | \$ 234,711 | \$ 2,222,000 | \$ 300,028 |
| 2007 | 420,000 | 52,095 | 508,000 | 192,166 | 928,000 | 244,261 |
| 2008 | 230,000 | 36,599 | 527,000 | 171,696 | 757,000 | 208,295 |
| 2009 | 150,000 | 28,611 | 651,000 | 148,028 | 801,000 | 176,639 |
| 2010 | 155,000 | 23,886 | 245,000 | 130,420 | 400,000 | 154,306 |
| 2011 | 160,000 | 18,694 | 254,000 | 121,334 | 414,000 | 140,028 |
| 2012 | 165,000 | 13,013 | 263,000 | 111,728 | 428,000 | 124,741 |
| 2013 | 175,000 | 6,825 | 272,000 | 101,586 | 447,000 | 108,411 |
| 2014 | - | - | 282,000 | 90,895 | 282,000 | 90,895 |
| 2015 | - | - | 296,000 | 79,515 | 296,000 | 79,515 |
| 2016 | - | - | 306,000 | 67,495 | 306,000 | 67,495 |
| 2017 | - | - | 321,000 | 54,788 | 321,000 | 54,788 |
| 2018 | - | - | 331,000 | 41,380 | 331,000 | 41,380 |
| 2019 | - | - | 176,000 | 31,930 | 176,000 | 31,930 |
| 2020 | - | - | 181,000 | 26,650 | 181,000 | 26,650 |
| 2021 | - | - | 187,000 | 21,220 | 187,000 | 21,220 |
| 2022 | - | - | 192,000 | 15,610 | 192,000 | 15,610 |
| 2023 | - | - | 198,000 | 9,850 | 198,000 | 9,850 |
| 2024 | - | - | 130,334 | 3,910 | 130,334 | 3,910 |
| | <u>\$ 1,865,000</u> | <u>\$ 245,040</u> | <u>\$ 7,132,334</u> | <u>\$ 1,654,912</u> | <u>\$ 8,997,334</u> | <u>\$ 1,899,952</u> |

General obligation notes were issued on May 1, 2003 to provide funds to pay for the cost of street construction and reconstruction. These notes are callable on June 1, 2009.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2005

(3) Bonds, Notes and Warrants Payable (continued)

The resolution providing for the issuance of the electric revenue notes includes the following provisions:

- a) The City shall generate net revenues from electric operations equal to at least 125% of the average annual installments on all bonds and notes outstanding.
- b) An amount equal to 1/12th of the next principal due and 1/6th of the next interest due shall be set aside in an electric sinking fund on a monthly basis.
- c) A reserve fund is to be established with a required fund balance of \$474,000.
- d) A renewal and replacement fund is to be established with a required fund balance of \$100,000. If the balance in this fund is less than the required minimum amount, \$50,000 shall be deposited into the fund.

Water revenue notes were issued on July 1, 2002 to provide funds for water improvement projects. These notes are callable on July 1, 2012.

The resolution providing for the issuance of the water revenue notes includes the following provisions:

- a) The City shall generate net revenues from water operations equal to at least 125% of the average annual installments on the notes.
- b) An amount equal to 1/12th of the next principal due and 1/6th of the next interest due shall be set aside in a water sinking fund on a monthly basis.
- c) A reserve fund is to be established with a required fund balance of \$130,000.
- d) A surplus fund is to be established into which there shall be set apart and paid all the net revenues remaining after first making the required payments into the sinking and reserve funds and after the reserve fund contains the required minimum balance.

At June 30, 2005, the City was in compliance with all the provisions above, except for not having a reserve fund with a minimum balance of \$130,000 to pay principle and interest on the water revenue notes and maintaining a reserve fund balance of \$474,000 for the electric revenue notes.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2005

(4) Capital Lease Obligations

During the year ended June 30, 2003, the City entered into a capital lease agreement for a multi-use printer/copier and related equipment. Monthly installments of \$786.19, including interest at 6.5% per annum, are due through October 21, 2007. There is a purchase option of \$750 for the equipment at that date and a schedule of the future minimum lease payments is as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---|------------------|
| 2006 | \$ 9,434 |
| 2007 | 9,434 |
| 2008 | <u>3,144</u> |
| Total minimum lease payments | 22,012 |
| Less amount representing interest | <u>1,639</u> |
| Present value of net minimum lease payments | <u>\$ 20,373</u> |

(5) Internal Debt

The City approved the following interfund loans during the year ended June 30, 2005. All loans are payable upon demand and bear no interest rate.

| <u>From</u> | <u>To</u> | <u>Amount</u> |
|--|---|-------------------|
| Special Revenue Funds: Aquatic Center Campaign Fund | Capital Projects Fund: Aquatic Center Capital Projects Fund | \$ 866,726 |
| Revenue Funds: Electric Bond/Interest Reserve Fund | General Fund | 84,231 |
| Special Revenue Funds: Fire Trust | Revenue Fund: Electric Bond/Interest Revenue Fund | <u>36,881</u> |
| | | <u>\$ 987,839</u> |

CITY OF TIPTON

Notes to Financial Statements

June 30, 2005

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--|---|-------------------|
| General Fund | Special Revenue: Trust and Agency | \$ 79,223 |
| | Enterprise: Communication Local Access | 38,747 |
| | Wastewater Treatment | 66,000 |
| | Electric Operating | 321,344 |
| | Gas Operating | <u>11,788</u> |
| | | <u>\$ 517,102</u> |
| Special Revenue: Ambulance Trust | General | <u>\$ 61,748</u> |
| Debt Service: GO Street Improvement Debt Service | Special Revenue: Road Use Tax | <u>\$ 177,533</u> |
| Capital Projects: Wastewater Project | Special Revenue: CDBG | <u>\$ 264,093</u> |
| Enterprise: Water Revenue Bond Reserves | Enterprise: Water Operating | <u>\$ 267,511</u> |
| Enterprise: Wastewater Debt Service | Enterprise: Wastewater Treatment | <u>\$ 236,500</u> |
| Enterprise: Water Operating | Enterprise | \$ 23,271 |
| Wastewater Treatment | | 11,484 |
| Electric Revenue Bonds '98 | | 436,800 |
| Gas Operating | | 1,227 |
| Airport Operating | | 2,107 |
| Garbage Collection | | <u>587</u> |
| | | <u>\$ 475,476</u> |
| Internal Service: Central Garage | Enterprise: Electric Operating | <u>\$ 1,960</u> |

CITY OF TIPTON

Notes to Financial Statements

June 30, 2005

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$71,888, \$66,518, and \$64,217, respectively, equal to the required contributions for each year.

(8) Health Insurance

The City provides health insurance for its employees with partial self-funding provisions as follows:

| | Out of Pocket Limits Per Calendar Year | |
|----------|---|----------------------|
| | <u>Single</u> | <u>Family</u> |
| Employee | \$ 500 | \$ 1,000 |
| City | \$ 1,500 | \$ 3,000 |

The City has established an internal service fund to account for and pay its share of this partial self-funding. As of June 30, 2005, there are unpaid claims for which the City is partially liable under the partial self-funding provision of the health insurance plan. This liability has not been determined. The balance on hand at the end of the year with the third party provider was \$21,306.

(9) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 960 hours. Vacation is payable when used and is cumulative to a maximum of 240 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2005 is \$62,501.

CITY OF TIPTON

Notes to Financial Statements

June 30, 2005

(10) Risk Management

The City of Tipton 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.

(11) Construction Project Commitments

During the year ended June 30, 2003 the City entered into contracts for a wastewater improvement project. Total commitments remaining at July 1, 2004 were \$649,233. Disbursements for the year ended June 30, 2005 totaled \$649,233.

During the year ended June 30, 2004, the City of Tipton entered into a contract for the reconstruction of Lemon Street Improvement Project. Total commitments remaining at June 30, 2004 were \$339,880. Disbursements during the year ended June 30, 2005 totaled \$339,880.

The City of Tipton entered into a construction contract for a new aquatic center. The contract totaled \$3,816,978. Disbursements during the year totaled \$3,356,523, resulting in a remaining commitment of \$460,454.

The City of Tipton entered into an engineering contract for a new aquatic center. The contract totaled \$590,000. Disbursements during the year totaled \$547,539, resulting in a remaining commitment of \$21,461.

The City of Tipton entered into a construction contract for the 2005 street improvement project. The contract totaled \$705,256. There were no disbursements made for the year ended June 30, 2005.

The City of Tipton owns .5% of the Louisa Generation Plant and receives 3.5 megawatts of base load generation from this ownership. The Louisa Plant is planning on EPA mandated installation of particulate scrubbers on its stacks to comply with clean air standards. The City's share of this project is estimated to be \$743,000 with current projections placing the majority of construction costs between 2008 and 2009. The City intends to finance this project through the creation of a reserve fund financed by existing user rates.

(12) Deficit Fund Balance

The Capital Project, Aquatic Center Project Fund had a deficit balance of \$141,290 at June 30, 2005. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of campaign donations and the sale of bonds.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TIPTON

**Budgetary Comparison Schedule of Receipts, Disbursements, and
Changes in Balances - Budget to Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds
Required Supplementary Information**

Year Ended June 30, 2005

| | Governmental Funds <u>Actual</u> | Proprietary Funds <u>Actual</u> | <u>Total</u> |
|---|---|--|---------------------|
| RECEIPTS: | | | |
| Property tax | \$ 743,605 | \$ - | \$ 743,605 |
| Tax increment financing | 190,192 | - | 190,192 |
| Other city tax | 179,993 | - | 179,993 |
| Licenses and permits | 4,895 | 1,005 | 5,900 |
| Use of money and property | 70,247 | 76,894 | 147,141 |
| Intergovernmental | 752,268 | 1,386 | 753,654 |
| Charges for services | 208,929 | 5,957,201 | 6,166,130 |
| Special assessments | 26,228 | - | 26,228 |
| Miscellaneous | <u>2,632,575</u> | <u>70,269</u> | <u>2,702,844</u> |
| Total receipts | <u>4,808,932</u> | <u>6,106,755</u> | <u>10,915,687</u> |
| DISBURSEMENTS: | | | |
| Public safety | 586,004 | - | 586,004 |
| Public works | 434,109 | - | 434,109 |
| Culture and recreation | 373,104 | - | 373,104 |
| Community and economic development | 51,291 | - | 51,291 |
| General government | 320,203 | - | 320,203 |
| Debt service | 266,375 | 879,254 | 1,145,629 |
| Capital projects | 5,597,107 | - | 5,597,107 |
| Business type activities | <u>-</u> | <u>4,962,378</u> | <u>4,962,378</u> |
| Total disbursements | <u>7,628,193</u> | <u>5,841,632</u> | <u>13,469,825</u> |
| Excess (deficiency) receipts over (under) disbursements | (2,819,261) | 265,123 | (2,554,138) |
| OTHER FINANCING SOURCES (USES) | | | |
| | <u>4,829,563</u> | <u>(487,189)</u> | <u>4,342,374</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 2,010,302 | (222,066) | 1,788,236 |
| BALANCES BEGINNING OF YEAR | <u>1,216,393</u> | <u>4,057,082</u> | <u>5,273,475</u> |
| BALANCES END OF YEAR | <u>\$ 3,226,695</u> | <u>\$ 3,835,016</u> | <u>\$ 7,061,711</u> |

| <u>Budgeted Amounts</u> | | <u>Final to Total Variance</u> |
|-------------------------|---------------------|--------------------------------|
| <u>Original</u> | <u>Final</u> | |
| \$ 726,727 | \$ 726,727 | \$ 16,878 |
| 187,000 | 187,000 | 3,192 |
| 214,785 | 214,785 | (34,792) |
| 7,500 | 7,500 | (1,600) |
| 1,396,241 | 1,626,138 | (1,478,997) |
| 365,445 | 900,346 | (146,692) |
| 6,180,347 | 6,355,347 | (189,217) |
| 30,000 | 30,000 | (3,772) |
| <u>251,784</u> | <u>3,043,672</u> | <u>(340,828)</u> |
| <u>9,359,829</u> | <u>13,091,515</u> | <u>(2,175,828)</u> |
| 760,244 | 824,853 | 238,849 |
| 699,090 | 699,590 | 265,481 |
| 276,883 | 391,516 | 18,412 |
| 700 | 167,400 | 116,109 |
| 656,975 | 722,610 | 402,407 |
| 1,211,937 | 1,211,937 | 66,308 |
| 539,750 | 6,295,844 | 698,737 |
| <u>5,214,250</u> | <u>5,383,501</u> | <u>421,123</u> |
| <u>9,359,829</u> | <u>15,697,251</u> | <u>2,227,426</u> |
| - | (2,605,736) | 51,598 |
| <u>-</u> | <u>2,605,736</u> | <u>1,736,638</u> |
| - | - | 1,788,236 |
| <u>7,812,806</u> | <u>7,812,806</u> | <u>(2,539,331)</u> |
| <u>\$ 7,812,806</u> | <u>\$ 7,812,806</u> | <u>\$ (751,095)</u> |

See accompanying independent auditor's report.

CITY OF TIPTON

Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2005

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 except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functional areas are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary 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 budget receipts by \$9,119,310 and disbursements by \$9,119,310. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements did exceed budget amounts prior to budget amendments in culture and recreation, community and economic development and capital projects.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Combining Nonmajor Governmental Funds

As of and For the Year Ended June 30, 2005

| | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Permanent</u> |
|---|----------------------------|-------------------------|-----------------------------|------------------|
| RECEIPTS: | | | | |
| Property tax | \$ 80,297 | \$ 89,045 | \$ - | \$ - |
| Tax increment financing collections | 190,192 | - | - | - |
| Other city tax | 173,920 | - | - | - |
| Use of money and property | 14,313 | 4,317 | 2,012 | - |
| Intergovernmental | 729,527 | - | - | - |
| Charges for services | - | - | - | 910 |
| Miscellaneous | <u>24,468</u> | <u>-</u> | <u>54,160</u> | <u>-</u> |
| Total receipts | <u>1,212,717</u> | <u>93,362</u> | <u>56,172</u> | <u>910</u> |
| DISBURSEMENTS: | | | | |
| Operating: | | | | |
| Public works | 53,123 | - | - | - |
| Culture and recreation | 19,217 | - | - | - |
| Community and economic development | 51,291 | - | - | - |
| General government | 176,307 | - | - | - |
| Debt service | - | 266,375 | - | - |
| Capital projects | <u>1,882</u> | <u>-</u> | <u>702,051</u> | <u>-</u> |
| Total disbursements | <u>301,820</u> | <u>266,375</u> | <u>702,051</u> | <u>-</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>910,897</u> | <u>(173,013)</u> | <u>(645,879)</u> | <u>910</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Debt proceeds | - | - | 3,094,334 | - |
| Operating transfers in | 61,748 | 177,533 | 264,093 | - |
| Interfund loan advances | (36,881) | - | - | - |
| Operating transfers out | <u>(520,849)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net other financing sources (uses) | <u>(495,982)</u> | <u>177,533</u> | <u>3,358,427</u> | <u>-</u> |

**Total
Nonmajor
Governmental
Funds**

\$ 169,342
 190,192
 173,920
 20,642
 729,527
 910
78,628

1,363,161

53,123
 19,217
 51,291
 176,307
 266,375
703,933

1,270,246

92,915

3,094,334
 503,374
 (36,881)
(520,849)

3,039,978

(continued)

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Combining Nonmajor Governmental Funds

As of and For the Year Ended June 30, 2005

| | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Permanent</u> |
|-----------------------------------|----------------------------|-------------------------|-----------------------------|------------------|
| NET CHANGE IN CASH BALANCE | 414,915 | 4,520 | 2,712,548 | 910 |
| CASH BALANCE, BEGINNING | <u>515,351</u> | <u>227,898</u> | <u>(2,238,118)</u> | <u>98,240</u> |
| CASH BALANCE, ENDING | <u>\$ 930,266</u> | <u>\$ 232,418</u> | <u>\$ 474,430</u> | <u>\$ 99,150</u> |
| CASH BASIS FUND BALANCE: | | | | |
| Reserved: | | | | |
| Debt service | \$ - | \$ 232,418 | \$ - | \$ - |
| Unreserved: | | | | |
| Special revenue funds | 930,266 | - | - | - |
| Permanent | - | - | - | 99,150 |
| Capital project funds | <u>-</u> | <u>-</u> | <u>474,430</u> | <u>-</u> |
| Total cash basis fund balance | <u>\$ 930,266</u> | <u>\$ 232,418</u> | <u>\$ 474,430</u> | <u>\$ 99,150</u> |

**Total
Nonmajor
Governmental
Funds**

3,132,893

(1,396,629)

\$1,736,264

\$ 232,418

930,266

99,150

474,430

\$1,736,264

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Governmental Funds - Special Revenue

As of and For the Year Ended June 30, 2005

| | <u>Road Use Tax</u> | <u>Trust and Agency</u> | <u>Local Option Tax</u> | <u>TIF Capital Improvement</u> |
|---|-------------------------|---------------------------------|---------------------------------|--|
| RECEIPTS: | | | | |
| Property tax | \$ - | \$ 80,297 | \$ - | \$ - |
| Tax increment financing collections | - | - | - | 190,192 |
| Other city tax | - | - | 173,920 | - |
| Use of money and property | - | 648 | - | 2,524 |
| Intergovernmental | 262,325 | - | - | - |
| Miscellaneous | <u>946</u> | <u>-</u> | <u>-</u> | <u>18,500</u> |
| Total receipts | <u>263,271</u> | <u>80,945</u> | <u>173,920</u> | <u>211,216</u> |
| DISBURSEMENTS: | | | | |
| Operating: | | | | |
| Public works | 51,203 | - | - | 1,920 |
| Culture and recreation | - | - | - | - |
| Community and economic development | - | - | - | - |
| General government | - | - | 173,920 | 2,337 |
| Capital projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,882</u> |
| Total disbursements | <u>51,203</u> | <u>-</u> | <u>173,920</u> | <u>6,139</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>212,068</u> | <u>80,945</u> | <u>-</u> | <u>205,077</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | - | - | - | - |
| Interfund loan advances | - | - | - | - |
| Operating transfers out | <u>(177,533)</u> | <u>(79,223)</u> | <u>-</u> | <u>-</u> |
| Net other financing sources (uses) | <u>(177,533)</u> | <u>(79,233)</u> | <u>-</u> | <u>-</u> |

Schedule 2

| <u>Economic Industrial Develop- ment</u> | <u>Un- employ- ment Trust</u> | <u>Library Trust</u> | <u>PS Share Trust</u> | <u>Ambulance Trust</u> | <u>Fire Trust</u> | <u>CDBG Funds</u> | <u>Totals</u> |
|--|---|--------------------------|---------------------------|----------------------------|-----------------------|-----------------------|------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 80,297 |
| - | - | - | - | - | - | - | 190,192 |
| - | - | - | - | - | - | - | 173,920 |
| 2,236 | 1,075 | 2,306 | 23 | 3,249 | 97 | 2,155 | 14,313 |
| 166,701 | - | - | - | 5,767 | 32,796 | 261,938 | 729,527 |
| <u>-</u> | <u>-</u> | <u>3,177</u> | <u>70</u> | <u>1,775</u> | <u>-</u> | <u>-</u> | <u>24,468</u> |
| <u>168,937</u> | <u>1,075</u> | <u>5,483</u> | <u>93</u> | <u>10,791</u> | <u>32,893</u> | <u>264,093</u> | <u>1,212,717</u> |
| - | - | - | - | - | - | - | 53,123 |
| - | - | 19,217 | - | - | - | - | 19,217 |
| 51,291 | - | - | - | - | - | - | 51,291 |
| - | - | - | 50 | - | - | - | 176,307 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,882</u> |
| <u>51,291</u> | <u>-</u> | <u>19,217</u> | <u>50</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>301,820</u> |
| <u>117,646</u> | <u>1,075</u> | <u>(13,734)</u> | <u>43</u> | <u>10,791</u> | <u>32,893</u> | <u>264,093</u> | <u>910,897</u> |
| - | - | - | - | 61,748 | - | - | 61,748 |
| - | - | - | - | - | (36,881) | - | (36,881) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(264,093)</u> | <u>(520,849)</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>61,748</u> | <u>(36,881)</u> | <u>(264,093)</u> | <u>(495,982)</u> |

(continued)

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Governmental Funds - Special Revenue

As of and For the Year Ended June 30, 2005

| | <u>Road Use Tax</u> | <u>Trust and Agency</u> | <u>Local Option Tax</u> | <u>TIF Capital Improvement</u> |
|-----------------------------------|-------------------------|---------------------------------|---------------------------------|--|
| NET CHANGE IN CASH BALANCE | 34,535 | 1,722 | - | 205,077 |
| CASH BALANCE, BEGINNING | <u>212,071</u> | <u>4,425</u> | <u>-</u> | <u>(97,873)</u> |
| CASH BALANCE, ENDING | <u>\$246,606</u> | <u>\$ 6,147</u> | <u>\$ -</u> | <u>\$107,204</u> |
| CASH BASIS FUND BALANCE: | | | | |
| Unreserved: | | | | |
| Special revenue funds | <u>\$246,606</u> | <u>\$ 6,147</u> | <u>\$ -</u> | <u>\$107,204</u> |

Schedule 2

| <u>Economic Industrial Develop- ment</u> | <u>Un- employ- ment Trust</u> | <u>Library Trust</u> | <u>PS Share Trust</u> | <u>Ambulance Trust</u> | <u>Fire Trust</u> | <u>CDBG Funds</u> | <u>Totals</u> |
|---|--|---------------------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|----------------------|
| 117,646 | 1,075 | (13,734) | 43 | 72,539 | (3,988) | - | 414,915 |
| <u>52,184</u> | <u>67,059</u> | <u>94,232</u> | <u>21</u> | <u>173,134</u> | <u>10,098</u> | <u>-</u> | <u>515,351</u> |
| <u>\$169,830</u> | <u>\$ 68,134</u> | <u>\$ 80,498</u> | <u>\$ 64</u> | <u>\$245,673</u> | <u>\$ 6,110</u> | <u>\$ -</u> | <u>\$930,266</u> |
| <u>\$169,830</u> | <u>\$ 68,134</u> | <u>\$ 80,498</u> | <u>\$ 64</u> | <u>\$245,673</u> | <u>\$ 6,110</u> | <u>\$ -</u> | <u>\$930,266</u> |

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds - Other

As of and For the Year Ended June 30, 2005

| | <u>Debt Service</u> | | | | <u>Capital Projects</u> | <u>Permanent</u> |
|---|--|---|--|---|-----------------------------|---------------------------|
| | <u>1994 Water/Sewer Debt Service</u> | <u>GO Street Improvement Debt Service</u> | <u>GO Street Improvement Debt Service 03</u> | <u>Total Debt Service Funds</u> | <u>Aquatic Center</u> | <u>Cemetary Trust</u> |
| RECEIPTS: | | | | | | |
| Property tax | \$ - | \$ 89,045 | \$ - | \$ 89,045 | \$ - | \$ - |
| Use of money and property | 2,623 | 646 | 1,048 | 4,317 | 2,012 | - |
| Charges for services | - | - | - | - | - | 910 |
| Miscellaneous | - | - | - | - | 54,160 | - |
| Total receipts | <u>2,623</u> | <u>89,691</u> | <u>1,048</u> | <u>93,362</u> | <u>56,172</u> | <u>910</u> |
| DISBURSEMENTS: | | | | | | |
| Debt service | - | 88,843 | 177,532 | 266,375 | - | - |
| Capital projects | - | - | - | - | 702,051 | - |
| Total disbursements | <u>-</u> | <u>88,843</u> | <u>177,532</u> | <u>266,375</u> | <u>702,051</u> | <u>-</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>2,623</u> | <u>848</u> | <u>(176,484)</u> | <u>(173,013)</u> | <u>(645,879)</u> | <u>910</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Debt proceeds | - | - | - | - | 3,094,334 | - |
| Operating transfers in | - | - | 177,533 | 177,533 | 264,093 | - |
| Net other financing sources | <u>-</u> | <u>-</u> | <u>177,533</u> | <u>177,533</u> | <u>3,358,427</u> | <u>-</u> |
| NET CHANGE IN CASH BALANCE | 2,623 | 848 | 1,049 | 4,520 | 2,712,548 | 910 |
| CASH BALANCE, BEGINNING | <u>227,898</u> | <u>-</u> | <u>-</u> | <u>227,898</u> | <u>(2,238,118)</u> | <u>98,240</u> |
| CASH BALANCE, ENDING | <u>\$ 230,521</u> | <u>\$ 848</u> | <u>\$ 1,049</u> | <u>\$ 232,418</u> | <u>\$ 474,430</u> | <u>\$ 99,150</u> |

(continued)

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds - Other

As of and For the Year Ended June 30, 2005

| | <u>Debt Service</u> | | | | <u>Capital Projects</u> | <u>Permanent</u> |
|----------------------------------|--|---|--|---|-----------------------------|---------------------------|
| | <u>1994 Water/Sewer Debt Service</u> | <u>GO Street Improvement Debt Service</u> | <u>GO Street Improvement Debt Service 03</u> | <u>Total Debt Service Funds</u> | <u>Aquatic Center</u> | <u>Cemetary Trust</u> |
| CASH FUND BALANCE: | | | | | | |
| Reserved: | | | | | | |
| Debt Service | \$ 230,521 | \$ 848 | \$ 1,049 | \$ 232,418 | \$ - | \$ - |
| Unreserved: | | | | | | |
| Cemetary | - | - | - | - | - | 99,150 |
| Capital Projects | - | - | - | - | 474,430 | - |
| Total cash basis fund balance | <u>\$ 230,521</u> | <u>\$ 848</u> | <u>\$ 1,049</u> | <u>\$ 232,418</u> | <u>\$ 474,430</u> | <u>\$ 99,150</u> |

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Combining Proprietary Funds

As of and For the Year Ended June 30, 2005

| | <u>Electric</u> | <u>Water</u> | <u>Gas</u> | <u>Wastewater</u> |
|--|------------------|------------------|-----------------|-------------------|
| OPERATING RECEIPTS: | | | | |
| Licenses and permits | \$ - | \$ 400 | \$ - | \$ - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | 505,722 | - | 473,770 |
| Miscellaneous | <u>10,185</u> | <u>6,484</u> | <u>9,320</u> | <u>10,092</u> |
| Total operating receipts | <u>10,185</u> | <u>512,606</u> | <u>9,320</u> | <u>483,862</u> |
| OPERATING DISBURSEMENTS: | | | | |
| Business type activities: | | | | |
| Electric | 9,890 | - | - | - |
| Water | - | 241,568 | - | - |
| Gas | - | - | 19,830 | - |
| Wastewater | - | - | - | 176,438 |
| Communications | - | - | - | - |
| Airport | - | - | - | - |
| Garbage | - | - | - | - |
| Cemetery | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total disbursements | <u>9,890</u> | <u>241,568</u> | <u>19,830</u> | <u>176,438</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>295</u> | <u>271,038</u> | <u>(10,510)</u> | <u>307,424</u> |
| NONOPERATING RECEIPTS (DISBURSEMENTS): | | | | |
| Interest on investments | 17,395 | 5,651 | 6,733 | 4,934 |
| Rents | 1,000 | - | - | - |
| Debt service | <u>(429,871)</u> | <u>(267,510)</u> | <u>-</u> | <u>(181,873)</u> |
| Net nonoperating receipts (disbursements) | <u>(411,476)</u> | <u>(261,859)</u> | <u>6,733</u> | <u>(176,939)</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(411,181)</u> | <u>9,179</u> | <u>(3,777)</u> | <u>130,485</u> |

| <u>Other</u> | <u>Total</u> |
|------------------|------------------|
| \$ - | \$ 400 |
| 1,386 | 1,386 |
| 326,727 | 1,306,219 |
| <u>15,533</u> | <u>51,614</u> |
| <u>343,646</u> | <u>1,359,619</u> |
| - | 9,890 |
| - | 241,568 |
| - | 19,830 |
| - | 176,438 |
| 1,223 | 1,223 |
| 46,243 | 46,243 |
| 359,192 | 359,192 |
| <u>42,685</u> | <u>42,685</u> |
| <u>449,343</u> | <u>897,069</u> |
| <u>(105,697)</u> | <u>462,550</u> |
| 10,704 | 45,417 |
| 2,482 | 3,482 |
| <u>-</u> | <u>(879,254)</u> |
| <u>13,186</u> | <u>(830,355)</u> |
| <u>(92,511)</u> | <u>(367,805)</u> |

(continued)

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Combining Proprietary Funds

As of and For the Year Ended June 30, 2005

| | <u>Electric</u> | <u>Water</u> | <u>Gas</u> | <u>Wastewater</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| OTHER FINANCING SOURCES | | | | |
| (USES): | | | | |
| Interfund loan | 36,881 | - | - | - |
| Operating transfers in | 436,800 | 290,782 | - | 247,984 |
| Interfund loan advances | (84,231) | - | - | - |
| Operating transfers out | <u>-</u> | <u>(267,511)</u> | <u>-</u> | <u>(302,500)</u> |
| Net other financing sources (uses) | <u>389,450</u> | <u>23,271</u> | <u>-</u> | <u>(54,516)</u> |
| NET CHANGE IN CASH BALANCE | (21,731) | 32,450 | (3,777) | 75,969 |
| CASH BALANCE, BEGINNING | <u>990,386</u> | <u>278,825</u> | <u>447,387</u> | <u>261,218</u> |
| CASH BALANCE, ENDING | <u>\$ 968,655</u> | <u>\$ 311,275</u> | <u>\$ 443,610</u> | <u>\$ 337,187</u> |
| CASH BASIS FUND BALANCE: | | | | |
| Reserved: | | | | |
| Deposits | \$ 13,532 | \$ 4,875 | \$ 11,402 | \$ - |
| Debt service | 268,639 | 68,581 | - | 268,316 |
| Other purposes | 686,484 | - | 432,208 | - |
| Unreserved | <u>-</u> | <u>237,819</u> | <u>-</u> | <u>68,871</u> |
| Total cash basis fund balance | <u>\$ 968,655</u> | <u>\$ 311,275</u> | <u>\$ 443,610</u> | <u>\$ 337,187</u> |

| <u>Other</u> | <u>Total</u> |
|-------------------|--------------------|
| - | 36,881 |
| 2,694 | 978,260 |
| - | (84,231) |
| <u>(38,747)</u> | <u>(608,758)</u> |
| <u>(36,053)</u> | <u>322,152</u> |
| (128,564) | (45,653) |
| <u>367,987</u> | <u>2,345,803</u> |
| <u>\$ 239,423</u> | <u>\$2,300,150</u> |
| | |
| \$ - | \$ 29,809 |
| - | 605,536 |
| - | 1,118,692 |
| <u>239,423</u> | <u>546,113</u> |
| <u>\$ 239,423</u> | <u>\$2,300,150</u> |

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds - Electric**

As of and For the Year Ended June 30, 2005

| | <u>Electric Revenue Bonds 98</u> | <u>Electric Revenue Bonds</u> | <u>Electric Development</u> |
|---|--|---------------------------------------|---------------------------------|
| OPERATING RECEIPTS: | | | |
| Miscellaneous | \$ - | \$ - | \$ - |
| OPERATING DISBURSEMENTS: | | | |
| Business type activities: | | | |
| Electric | - | - | - |
| Excess of operating receipts over operating disbursements | - | - | - |
| NONOPERATING RECEIPTS (DISBURSEMENTS): | | | |
| Interest on investments | 1,640 | 888 | - |
| Rents | - | - | 1,000 |
| Debt service | <u>(429,871)</u> | <u>-</u> | <u>-</u> |
| Net nonoperating receipts (disbursements) | <u>(428,231)</u> | <u>888</u> | <u>1,000</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(428,231)</u> | <u>888</u> | <u>1,000</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Interfund loan | - | - | - |
| Operating transfers in | 436,800 | - | - |
| Interfund loan advance | <u>-</u> | <u>-</u> | <u>-</u> |
| Net other financing sources (uses) | <u>436,800</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN CASH BALANCE | 8,569 | 888 | 1,000 |
| CASH BALANCE, BEGINNING | <u>219,766</u> | <u>39,416</u> | <u>900</u> |
| CASH BALANCE, ENDING | <u>\$ 228,335</u> | <u>\$ 40,304</u> | <u>\$ 1,900</u> |
| CASH BASIS FUND BALANCE: | | | |
| Reserved: | | | |
| Deposits | \$ - | \$ - | \$ - |
| Debt service | 228,335 | 40,304 | - |
| Other purposes | <u>-</u> | <u>-</u> | <u>1,900</u> |
| Total cash basis fund balance | <u>\$ 228,335</u> | <u>\$ 40,304</u> | <u>\$ 1,900</u> |

Schedule 5

| <u>Electric Renewal/ Replacement</u> | <u>Electric Reserve</u> | <u>Electric Bond/Interest Reserve</u> | <u>Electric Meter Deposits</u> | <u>Totals</u> |
|--|-----------------------------|---|--|-------------------|
| \$ - | \$ - | \$ - | \$ 10,185 | \$ 10,185 |
| - | - | - | 9,890 | 9,890 |
| - | - | - | 295 | 295 |
| 3,088 | 2,096 | 9,509 | 174 | 17,395 |
| - | - | - | - | 1,000 |
| - | - | - | - | (429,871) |
| <u>3,088</u> | <u>2,096</u> | <u>9,509</u> | <u>174</u> | <u>(411,476)</u> |
| <u>3,088</u> | <u>2,096</u> | <u>9,509</u> | <u>469</u> | <u>(411,181)</u> |
| - | - | 36,881 | - | 36,881 |
| - | - | - | - | 436,800 |
| - | - | (84,231) | - | (84,231) |
| - | - | (47,350) | - | 389,450 |
| 3,088 | 2,096 | (37,841) | 469 | (21,731) |
| <u>164,465</u> | <u>132,163</u> | <u>420,613</u> | <u>13,063</u> | <u>990,386</u> |
| <u>\$ 167,553</u> | <u>\$ 134,259</u> | <u>\$ 382,772</u> | <u>\$ 13,532</u> | <u>\$ 968,655</u> |
| \$ - | \$ - | \$ - | \$ 13,532 | \$ 13,532 |
| - | - | - | - | 268,639 |
| <u>167,553</u> | <u>134,259</u> | <u>382,772</u> | <u>-</u> | <u>686,484</u> |
| <u>\$ 167,553</u> | <u>\$ 134,259</u> | <u>\$ 382,772</u> | <u>\$ 13,532</u> | <u>\$ 968,655</u> |

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Enterprise Funds - Water

As of and For the Year Ended June 30, 2005

| | <u>Water Revenue Bond Reserve</u> | <u>Water Operating</u> | <u>Water Meter Deposits</u> | <u>Totals</u> |
|--|---|----------------------------|-------------------------------------|------------------|
| OPERATING RECEIPTS: | | | | |
| Licenses and permits | \$ - | \$ 400 | \$ - | \$ 400 |
| Charges for services | - | 505,722 | - | 505,722 |
| Miscellaneous | - | 2,179 | 4,305 | 6,484 |
| | <u>-</u> | <u>508,301</u> | <u>4,305</u> | <u>512,606</u> |
| Total operating receipts | - | 508,301 | 4,305 | 512,606 |
| OPERATING DISBURSEMENTS: | | | | |
| Business-type activities: | | | | |
| Water | - | 237,715 | 3,853 | 241,568 |
| | <u>-</u> | <u>237,715</u> | <u>3,853</u> | <u>241,568</u> |
| Excess of operating receipts over operating disbursements | - | 270,586 | 452 | 271,038 |
| | <u>-</u> | <u>270,586</u> | <u>452</u> | <u>271,038</u> |
| NONOPERATING RECEIPTS (DISBURSEMENTS): | | | | |
| Interest on investments | 2,022 | 3,579 | 50 | 5,651 |
| Debt service | (267,510) | - | - | (267,510) |
| | <u>2,022</u> | <u>3,579</u> | <u>50</u> | <u>5,651</u> |
| Net nonoperating receipts (disbursements) | (265,488) | 3,579 | 50 | (261,859) |
| | <u>(265,488)</u> | <u>3,579</u> | <u>50</u> | <u>(261,859)</u> |
| Excess (deficiency) of receipts over (under) disbursements | (265,488) | 274,165 | 502 | 9,179 |
| | <u>(265,488)</u> | <u>274,165</u> | <u>502</u> | <u>9,179</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | 267,511 | 23,271 | - | 290,782 |
| Operating transfers out | - | (267,511) | - | (267,511) |
| | <u>267,511</u> | <u>23,271</u> | <u>-</u> | <u>290,782</u> |
| Net other financing sources (uses) | 267,511 | (244,240) | - | 23,271 |
| | <u>267,511</u> | <u>(244,240)</u> | <u>-</u> | <u>23,271</u> |

(continued)

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Enterprise Funds - Water

As of and For the Year Ended June 30, 2005

| | <u>Water Revenue Bond Reserve</u> | <u>Water Operating</u> | <u>Water Meter Deposits</u> | <u>Totals</u> |
|---------------------------------------|---|----------------------------|-------------------------------------|-------------------|
| NET CHANGE IN CASH BALANCE | 2,023 | 29,925 | 502 | 32,450 |
| CASH BALANCE, BEGINNING | <u>66,558</u> | <u>207,894</u> | <u>4,373</u> | <u>278,825</u> |
| CASH BALANCE, ENDING | <u>\$ 68,581</u> | <u>\$ 237,819</u> | <u>\$ 4,875</u> | <u>\$ 311,275</u> |
| CASH BASIS FUND BALANCE: | | | | |
| Reserved: | | | | |
| Deposits | \$ - | \$ - | \$ 4,875 | \$ 4,875 |
| Debt Service | 68,581 | - | - | 68,581 |
| Unreserved | <u>-</u> | <u>237,819</u> | <u>-</u> | <u>237,819</u> |
| Total cash basis fund balance | <u>\$ 68,581</u> | <u>\$ 237,819</u> | <u>\$ 4,875</u> | <u>\$ 311,275</u> |

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Enterprise Funds - Gas

As of and For the Year Ended June 30, 2005

| | <u>Gas D.E.I.</u> | <u>Gas Surplus</u> | <u>Gas Meter Deposits</u> | <u>Totals</u> |
|--|-----------------------|------------------------|-----------------------------------|-------------------|
| OPERATING RECEIPTS: | | | | |
| Miscellaneous | \$ - | \$ - | \$ 9,320 | \$ 9,320 |
| OPERATING DISBURSEMENTS: | | | | |
| Business-type activities: | | | | |
| Gas | - | 10,422 | 9,408 | 19,830 |
| Deficiency of operating receipts under operating disbursements | - | (10,422) | (88) | (10,510) |
| NONOPERATING RECEIPTS (DISBURSEMENTS): | | | | |
| Interest on investments | 177 | 6,429 | 127 | 6,733 |
| Excess (deficiency) of receipts over (under) disbursements | 177 | (3,993) | 39 | (3,777) |
| CASH BALANCE, BEGINNING | <u>13,076</u> | <u>422,948</u> | <u>11,363</u> | <u>447,387</u> |
| CASH BALANCE, ENDING | <u>\$ 13,253</u> | <u>\$ 418,955</u> | <u>\$ 11,402</u> | <u>\$ 443,610</u> |
| CASH BASIS FUND BALANCE: | | | | |
| Reserved: | | | | |
| Deposits | \$ - | \$ - | \$ 11,402 | \$ 11,402 |
| Other purposes | <u>13,253</u> | <u>418,955</u> | <u>-</u> | <u>432,208</u> |
| Total cash basis fund balance | <u>\$ 13,253</u> | <u>\$ 418,955</u> | <u>\$ 11,402</u> | <u>\$ 443,610</u> |

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Enterprise Funds - Wastewater

As of and For the Year Ended June 30, 2005

| | Wastewater Debt Service | Wastewater Treatment | Totals |
|---|-------------------------------|-------------------------|-------------------|
| OPERATING RECEIPTS: | | | |
| Charges for services | \$ - | \$ 473,770 | \$ 473,770 |
| Miscellaneous | <u>-</u> | <u>10,092</u> | <u>10,092</u> |
| Total operating receipts | <u>-</u> | <u>483,862</u> | <u>483,862</u> |
| OPERATING DISBURSEMENTS: | | | |
| Business-type activities: | | | |
| Wastewater | <u>-</u> | <u>176,438</u> | <u>176,438</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>-</u> | <u>307,424</u> | <u>307,424</u> |
| NONOPERATING RECEIPTS (DISBURSEMENTS): | | | |
| Interest on investments | 4,057 | 877 | 4,934 |
| Debt service | <u>(181,873)</u> | <u>-</u> | <u>(181,873)</u> |
| Net nonoperating receipts (disbursements) | <u>(177,816)</u> | <u>877</u> | <u>(176,939)</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(177,816)</u> | <u>308,301</u> | <u>130,485</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Operating transfers in | 236,500 | 11,484 | 247,984 |
| Operating transfers out | <u>-</u> | <u>(302,500)</u> | <u>(302,500)</u> |
| Net other financing sources (uses) | <u>236,500</u> | <u>(291,016)</u> | <u>(54,516)</u> |
| NET CHANGE IN CASH BALANCE | 58,684 | 17,285 | 75,969 |
| CASH BALANCE, BEGINNING | <u>209,632</u> | <u>51,586</u> | <u>261,218</u> |
| CASH BALANCE, ENDING | <u>\$ 268,316</u> | <u>\$ 68,871</u> | <u>\$ 337,187</u> |
| CASH BASIS FUND BALANCE: | | | |
| Reserved: | | | |
| Debt Service | \$ 268,316 | \$ - | \$ 268,316 |
| Unreserved | <u>-</u> | <u>68,871</u> | <u>68,871</u> |
| Total cash basis fund balance | <u>\$ 268,316</u> | <u>\$ 68,871</u> | <u>\$ 337,187</u> |

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Enterprise Funds - Other

As of and For the Year Ended June 30, 2005

| | Communications | | |
|---|-----------------------|-------------------------|--------------------------|
| | <u>Local</u> | <u>Airport</u> | <u>Garbage</u> |
| | <u>Access</u> | <u>Operating</u> | <u>Collection</u> |
| OPERATING RECEIPTS: | | | |
| Intergovernmental | \$ - | \$ - | \$ - |
| Charges for services | 18,220 | 5,700 | 290,782 |
| Miscellaneous | <u>-</u> | <u>10,760</u> | <u>474</u> |
| Total operating receipts | <u>18,220</u> | <u>16,460</u> | <u>291,256</u> |
| OPERATING DISBURSEMENTS: | | | |
| Business-type activities: | | | |
| Communications | 1,223 | - | - |
| Airport | - | 46,243 | - |
| Garbage | - | - | 359,192 |
| Cemetery | <u>-</u> | <u>-</u> | <u>-</u> |
| Total operating disbursements | <u>1,223</u> | <u>46,243</u> | <u>359,192</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>16,997</u> | <u>(29,783)</u> | <u>(67,936)</u> |
| NONOPERATING RECEIPTS: | | | |
| Interest on investments | 259 | 3,672 | 4,272 |
| Rents | <u>-</u> | <u>-</u> | <u>2,482</u> |
| Net nonoperating receipts | <u>259</u> | <u>3,672</u> | <u>6,754</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>17,256</u> | <u>(26,111)</u> | <u>(61,182)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Operating transfers in | - | 2,107 | 587 |
| Operating transfers out | <u>(38,747)</u> | <u>-</u> | <u>-</u> |
| Net other financing sources (uses) | <u>(38,747)</u> | <u>2,107</u> | <u>587</u> |

| <u>Cemetary Enterprise</u> | <u>Totals</u> |
|--------------------------------|------------------|
| \$ 1,386 | \$ 1,386 |
| 12,025 | 326,727 |
| <u>4,299</u> | <u>15,533</u> |
| <u>17,710</u> | <u>343,646</u> |
| - | 1,223 |
| - | 46,243 |
| - | 359,192 |
| <u>42,685</u> | <u>42,685</u> |
| <u>42,685</u> | <u>449,343</u> |
| <u>(24,975)</u> | <u>(105,697)</u> |
| 2,501 | 10,704 |
| <u>-</u> | <u>2,482</u> |
| <u>2,501</u> | <u>13,186</u> |
| <u>(22,474)</u> | <u>(92,511)</u> |
| - | 2,694 |
| <u>-</u> | <u>(38,747)</u> |
| <u>-</u> | <u>(36,053)</u> |

(continued)

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Enterprise Funds - Other

As of and For the Year Ended June 30, 2005

| | Communications | | |
|-----------------------------------|--------------------------------|-------------------------------------|--------------------------------------|
| | <u>Local Access</u> | <u>Airport Operating</u> | <u>Garbage Collection</u> |
| NET CHANGE IN CASH BALANCE | (21,491) | (24,004) | (60,595) |
| CASH BALANCE, BEGINNING | <u>36,238</u> | <u>60,962</u> | <u>236,034</u> |
| CASH BALANCE, ENDING | <u>\$ 14,747</u> | <u>\$ 36,958</u> | <u>\$ 175,439</u> |
| CASH BASIS FUND BALANCE: | | | |
| Unreserved | <u>\$ 14,747</u> | <u>\$ 36,958</u> | <u>\$ 175,439</u> |

| <u>Cemetary Enterprise</u> | <u>Totals</u> |
|---------------------------------------|----------------------|
| (22,474) | (128,564) |
| <u>34,753</u> | <u>367,987</u> |
| <u>\$ 12,279</u> | <u>\$ 239,423</u> |
| <u>\$ 12,279</u> | <u>\$ 239,423</u> |

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Internal Service Funds**

As of and For the Year Ended June 30, 2005

| | <u>Central Garage</u> | <u>PSF Health Insurance</u> | <u>City Reserve</u> |
|---|---------------------------|---------------------------------|-------------------------|
| OPERATING RECEIPTS: | | | |
| Miscellaneous | \$ 5,092 | \$ 57,108 | \$ - |
| OPERATING DISBURSEMENTS: | | | |
| General government | <u>217,240</u> | <u>57,654</u> | <u>-</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>(212,148)</u> | <u>(546)</u> | <u>-</u> |
| NONOPERATING RECEIPTS (DISBURSEMENTS): | | | |
| Interest on investments | 6,829 | 8 | 6,964 |
| Rents | <u>141,825</u> | <u>-</u> | <u>-</u> |
| Net nonoperating receipts (disbursements) | <u>148,654</u> | <u>8</u> | <u>6,964</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(63,494)</u> | <u>(538)</u> | <u>6,964</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Operating transfers in | 1,960 | - | - |
| Sale of fixed assets | <u>2,535</u> | <u>-</u> | <u>-</u> |
| Net other financing sources (uses) | <u>4,495</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN CASH BALANCE | (58,999) | (538) | 6,964 |
| CASH BALANCE, BEGINNING | <u>311,514</u> | <u>-</u> | <u>189,075</u> |
| CASH BALANCE, ENDING | <u>\$ 252,515</u> | <u>\$ (538)</u> | <u>\$ 196,039</u> |
| CASH BASIS FUND BALANCE: | | | |
| Reserved: | | | |
| Other purposes | <u>\$ 252,515</u> | <u>\$ (538)</u> | <u>\$ 196,039</u> |

| <u>Adminis- trative Services</u> | <u>Payroll Account</u> | <u>Totals</u> |
|--|----------------------------|-------------------|
| \$ 61,122 | \$ 3,092 | \$ 126,414 |
| <u>77,372</u> | <u>3,885</u> | <u>356,151</u> |
| <u>(16,250)</u> | <u>(793)</u> | <u>(229,737)</u> |
| 1 | - | 13,802 |
| <u>-</u> | <u>-</u> | <u>141,825</u> |
| <u>1</u> | <u>-</u> | <u>155,627</u> |
| <u>(16,249)</u> | <u>(793)</u> | <u>(74,110)</u> |
| - | - | 1,960 |
| <u>-</u> | <u>-</u> | <u>2,535</u> |
| <u>-</u> | <u>-</u> | <u>4,495</u> |
| (16,249) | (793) | (69,615) |
| <u>2,123</u> | <u>4,939</u> | <u>507,651</u> |
| <u>\$ (14,126)</u> | <u>\$ 4,146</u> | <u>\$ 438,036</u> |
| <u>\$ (14,126)</u> | <u>\$ 4,146</u> | <u>\$ 438,036</u> |

CITY OF TIPTON
Schedule of Indebtedness
Year Ended June 30, 2005

| <u>Obligation</u> | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|----------------------------------|----------------------|-----------------------|---------------------------------|
| General obligation notes: | | | |
| Street improvement | February 1, 2002 | 3.50-4.45% | \$ 555,000 |
| Water improvement | March 1, 2002 | 3.00-4.25% | 900,000 |
| Street improvement | May 1, 2003 | 1.50-3.90% | 1,500,000 |
| Total | | | |
| Revenue bonds: | | | |
| Sewer revenue | June 30, 2003 | 3.00% | 3,200,000 |
| Revenue notes: | | | |
| Electric revenue | November 1, 1998 | 4.10-4.35% | 2,265,000 |
| Water revenue | July 1, 2002 | 4.25-5.40% | 1,305,000 |
| Total | | | |
| Anticipatory obligation notes: | | | |
| Aquatic center construction loan | May 2, 2005 | 4.00% | 1,250,000 |
| Capital lease obligations: | | | |
| Copier and related equipment | November 1, 2002 | 6.50% | 40,943 |
| Total indebtedness | | | |

| <u>Balance Beginning of Year</u> | <u>Issued During Year</u> | <u>Redeemed During Year</u> | <u>Balance End of Year</u> | <u>Interest Paid</u> | <u>Interest Due and Unpaid</u> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| \$ 320,000 | \$ - | \$ 75,000 | \$ 245,000 | \$ 13,543 | \$ - |
| 565,000 | - | 180,000 | 385,000 | 22,638 | - |
| <u>1,370,000</u> | <u>-</u> | <u>135,000</u> | <u>1,235,000</u> | <u>42,232</u> | <u>-</u> |
| <u>2,255,000</u> | <u>-</u> | <u>390,000</u> | <u>1,865,000</u> | <u>78,413</u> | <u>-</u> |
| - | 3,126,334 | 119,000 | 3,007,334 | 54,873 | - |
| 1,925,000 | - | 355,000 | 1,570,000 | 74,521 | - |
| <u>1,305,000</u> | <u>-</u> | <u>-</u> | <u>1,305,000</u> | <u>64,273</u> | <u>-</u> |
| <u>3,230,000</u> | <u>3,126,334</u> | <u>474,000</u> | <u>5,882,334</u> | <u>193,667</u> | <u>-</u> |
| <u>-</u> | <u>1,250,000</u> | <u>-</u> | <u>1,250,000</u> | <u>-</u> | <u>-</u> |
| <u>28,809</u> | <u>-</u> | <u>8,436</u> | <u>20,373</u> | <u>1,603</u> | <u>-</u> |
| <u>\$ 5,513,809</u> | <u>\$ 4,376,334</u> | <u>\$ 872,436</u> | <u>\$ 9,017,707</u> | <u>\$ 273,683</u> | <u>\$ -</u> |

CITY OF TIPTON

Bond and Note Maturities

June 30, 2005

| Year Ending <u>June 30,</u> | <u>General Obligation Debt</u> | | | | | |
|--------------------------------|--|-------------------|--|-------------------|---|--------------------|
| | <u>2002 Street Improvement Issued February 1, 2002</u> | | <u>2002 Water Improvement Issued March 1, 2002</u> | | <u>2003 Street Improvement Issued May 1, 2003</u> | |
| | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> |
| 2006 | 4.15 % | \$ 80,000 | 4.00 % | \$ 190,000 | 2.25 % | \$ 140,000 |
| 2007 | 4.30 % | 80,000 | 4.25 % | 195,000 | 2.60 % | 145,000 |
| 2008 | 4.45 % | 85,000 | - | - | 2.90 % | 145,000 |
| 2009 | - | - | - | - | 3.15 % | 150,000 |
| 2010 | - | - | - | - | 3.35 % | 155,000 |
| 2011 | - | - | - | - | 3.55 % | 160,000 |
| 2012 | - | - | - | - | 3.75 % | 165,000 |
| 2013 | - | - | - | - | 3.90 % | 175,000 |
| Total | | <u>\$ 245,000</u> | | <u>\$ 385,000</u> | | <u>\$1,235,000</u> |

| Year Ending <u>June 30,</u> | <u>Revenue Debt</u> | | | | | |
|--------------------------------|---|--------------------|--|--------------------|--|--------------------|
| | <u>Electric Revenue Note Issued April 1, 1999</u> | | <u>Water Revenue Note Issued October 1, 2002</u> | | <u>Sewer Revenue Note Issued June 30, 2003</u> | |
| | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> |
| 2006 | 4.20 % | \$ 370,000 | | \$ - | 3.00 % | 192,000 |
| 2007 | 4.25 % | 385,000 | | - | 3.00 % | 123,000 |
| 2008 | 4.30 % | 400,000 | | - | 3.00 % | 127,000 |
| 2009 | 4.35 % | 415,000 | 4.25 % | 105,000 | 3.00 % | 131,000 |
| 2010 | - | - | 4.40 % | 110,000 | 3.00 % | 135,000 |
| 2011 | - | - | 4.55 % | 115,000 | 3.00 % | 139,000 |
| 2012 | - | - | 4.70 % | 120,000 | 3.00 % | 143,000 |
| 2013 | - | - | 4.85 % | 125,000 | 3.00 % | 147,000 |
| 2014 | - | - | 5.00 % | 130,000 | 3.00 % | 152,000 |
| 2015 | - | - | 5.10 % | 140,000 | 3.00 % | 156,000 |
| 2016 | - | - | 5.20 % | 145,000 | 3.00 % | 161,000 |
| 2017 | - | - | 5.30 % | 155,000 | 3.00 % | 166,000 |
| 2018 | - | - | 5.40 % | 160,000 | 3.00 % | 171,000 |
| 2019 | - | - | - | - | 3.00 % | 176,000 |
| 2020 | - | - | - | - | 3.00 % | 181,000 |
| 2021 | - | - | - | - | 3.00 % | 187,000 |
| 2022 | - | - | - | - | 3.00 % | 192,000 |
| 2023 | - | - | - | - | 3.00 % | 198,000 |
| 2024 | - | - | - | - | | 130,334 |
| Total | | <u>\$1,570,000</u> | | <u>\$1,305,000</u> | | <u>\$3,007,334</u> |

| Year Ending June 30, | <u>Anticipatory Obligation Note Aquatic Center</u> | | <u>Capital Lease Copier & Other Equipment</u> | |
|-------------------------|--|--------------------|---|------------------|
| | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> |
| 2006 | 6.50 % | \$1,250,000 | 6.50 % | \$ 8,355 |
| 2007 | | - | 6.50 % | 8,915 |
| 2008 | | - | 6.50 % | <u>3,103</u> |
| Total | | <u>\$1,250,000</u> | | <u>\$ 20,373</u> |

CITY OF TIPTON

Comparison of Tax and Intergovernmental Receipts

| | <u>Years Ended June 30,</u> | | | |
|-------------------------------------|-----------------------------|---------------------|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| Property tax | \$ 743,605 | \$ 709,903 | \$ 679,521 | \$ 690,172 |
| Tax increment financing collections | 190,192 | 183,109 | 186,012 | 147,999 |
| Other city tax: | | | | |
| Mobile home tax | 6,073 | 6,034 | 3,621 | - |
| Local option tax | 173,920 | 184,995 | 160,117 | - |
| | <u>179,993</u> | <u>191,029</u> | <u>163,738</u> | <u>-</u> |
| Intergovernmental: | | | | |
| Road use tax | 262,325 | 262,772 | 257,242 | 252,708 |
| State allocation | - | - | 27,336 | 29,565 |
| Personal property tax replacement | - | - | 11,776 | - |
| Rural assistance | 8,359 | 10,746 | 10,294 | 9,436 |
| Grants | 7,463 | 263,445 | 93,320 | - |
| Bank franchise tax | 6,682 | 9,379 | 5,537 | 7,837 |
| Assessments | 38,563 | 41,693 | 41,151 | - |
| Other | 237 | 6,443 | 8,311 | 1,875 |
| | <u>752,268</u> | <u>594,477</u> | <u>454,967</u> | <u>301,421</u> |
| Total | <u>\$ 1,866,058</u> | <u>\$ 1,679,902</u> | <u>\$ 1,484,238</u> | <u>\$ 1,139,592</u> |

This information should be read only in connection with the accompanying independent auditor's report.



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton as of and for the year ended June 30, 2005, which collectively comprise the City of Tipton's basic financial statements and have issued our report thereon dated August 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tipton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Tipton's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item I-A-2005 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tipton'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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, 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 findings were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Tipton 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
September 14, 2005

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2005

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Reportable condition(s) identified that are not
 considered to be material weaknesses? yes x yes
- Noncompliance material to
 financial statements noted? yes x no

PART I - FINANCIAL STATEMENT FINDINGS

I-A-05 SEGREGATION OF DUTIES IN THE ACCOUNTING FUNCTION

Criteria: The City has a responsibility to establish and maintain effective internal controls over financial transactions and reporting, which includes adequate segregation of duties.

Condition: An employee of the City can open mail, list out cash receipts and make bank deposits. Also, the individual responsible for maintaining cash records performs the monthly bank reconciliations.

Questioned Costs: None.

Context: During our audit we noted that an employee can perform all of the cash receipts function.

Effect: Incompatible duties were not properly segregated.

Cause: Ideal separation of incompatible duties is difficult with the size of the City.

Recommendation: When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities.

We recommend the following:

1. The City review its operating procedures to obtain the maximum internal control possible given the size of the City Clerk's office.

Management Response and corrective action plan: We agree, and the City will continue to look for ways to realign and reassign duties where practical.

CITY OF TIPTON

Schedule of Findings

Year Ended June 30, 2005

Part II: Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories has been approved by the City.

II-B-05 Certified Budget - Disbursements during the year ended June 30, 2005 did exceed the amounts budgeted before budget amendments were passed by the council.

The City over expended it's budget in three programs before a budget amendment was passed by the council. The three programs were as follows: culture and recreation, community and economic development program, and capital projects program.

Recommendation - The City should review it's budgeting procedures and amend it's budgets before expenditures go over the approved budget amounts.

Response - We will do a better job of monitoring expenditures compared to apporved budget amounts, and amend the budget before the expenditures exceed the budgeted amounts.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursement that failed to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions - We noted the following business transaction between the City and City officials or employees:

David Farm Equipment, Council Member, Dave Starr \$ 353.17

As the amount is less than \$1,500, it does not appear to be a conflict of interest as defined by Chapter 362.5 of the Code of Iowa.

II-F-05 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should continue to be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Council Minutes - We noted no transactions that we believe should have been approved in the council minutes and were not.

II-H-05 Revenue Notes - As of June 30, 2005, the City was not in compliance with the funding and payment provisions of the revenue note resolutions as follows:

The City did not generate net revenues from electric operation equal to at least 110% of the average annual installments for all bonds and notes outstanding.

CITY OF TIPTON

Schedule of Findings

Year Ended June 30, 2005

Part II: Findings Related to Statutory Reporting (continued):

Recommendation - The City should review the electric rates, and disbursements and budget receipts and disbursements so net revenues from electric operations equal at least 110% of the average annual installments of all bonds and notes outstanding.

Response - We will review the electric operations to meet this provision. The 1998 electric revenue bonds are now completely redeemed so this provision will not apply in the future.

Conclusion - Response accepted.

II-I-05 The City did not deposit the minimum required balance of \$130,000 in the Water Reserve Fund.

Recommendation - The City should review net revenues from water operations and deposit amounts in the reserve fund to bring up to the minimum required balance.

Response - We will do this.

Conclusion - Response accepted.

II-J-05 Deposits and Investments - We noted two instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

We noted that the City had exceeded its approved depository resolution limits eight out of the twelve months during the fiscal year.

Recommendation - The City should review its depository resolution and set limits that will suit the cash needs of the City.

Response - We will do this.

Conclusion - Response accepted.

II-K-05 The City had investments that were not in compliance with the approved investment policy set by the City Council.

The City had ten investments that had maturity dates longer than the maximum maturity dates set forth in the City's approved investment policy.

Recommendation - The City should only buy investments that are in compliance with its approved investment policy.

Response - The City will do a better job of monitoring which investments it buys to comply with the approved investment policy.

Conclusion - Response accepted

CITY OF TIPTON
Schedule of Findings
Year Ended June 30, 2005

Part II: Findings Related to Statutory Reporting (continued)

II-L-05 Financial Condition - The Capital Project Fund, Aquatic Center Capital Project Fund had a deficit balance at June 30, 2005 of \$141,290. The Internal Service Funds, PSH Health Insurance Fund and Administrative Services Fund, had a deficit balances at June 30, 2005 of \$538 and \$14,126, respectively.

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

Response - The deficit was due to construction costs incurred prior to receipt of a state grant. The deficit was subsequently eliminated.

Conclusion - Response accepted.

II-M-05 Delinquent Accounts - The City had one employee on the delinquent accounts utility billings report.

Recommendation - The City should monitor the delinquent accounts utility billings report more closely to keep this from happening.

Response - We will do so.

Conclusion - Response accepted.

CITY OF TIPTON

Audit Staff

This audit was performed by:

William E. Murray, CPA, Audit Partner

Michele Matt, CPA, Manager

Andrew J. Johnson, Senior Associate

Tim Wood, CPA, Senior Associate



**Clifton
Gunderson LLP**

Certified Public Accountants & Consultants

March 21, 2006

To the Honorable Mayor and
Members of the City Council
City of Tipton
407 Lynn Street
Tipton, Iowa 52772

The purpose of this letter is to provide you with information about significant matters related to our audit of the financial statements of the City of Tipton for the year ended June 30, 2005, in order to assist you with your oversight responsibilities of the financial reporting process, and so that we may comply with our professional responsibilities to the City Council. This letter is intended solely for the use of the City Council and management.

Auditor's Responsibility Under Generally Accepted Auditing Standards. Our audit of the financial statements of the City of Tipton for the year ended June 30, 2005, was conducted in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Reasonable assurance in an audit is obtained by examining evidence supporting the amounts and disclosures in the financial statements on a test basis. An audit does not include verification of all transactions and account balances, nor does it represent a certification of the absolute accuracy of the financial statements.

In testing whether the financial statements are free of material misstatement, we focus more of our attention on items with a higher potential of material misstatement, and less on items that have a remote chance of material misstatement. For this purpose, accounting literature has defined materiality as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Although we may make suggestions as to the form and content of the financial statements, or even prepare them in whole or in part, the financial statements remain the representations of management. In an audit, our responsibility with respect to the financial statements is limited to forming an opinion as to whether the financial statements are a fair presentation of the City's results of cash transactions of its individual funds and of its indebtedness.

Significant Accounting Policies. There were no significant accounting policies or their application, which were either initially selected or changed during the year.

There were no significant, unusual transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates. There were no significant accounting estimates of financial data, which would be particularly sensitive and require substantial judgments by management.

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Significant Audit Adjustments. There were no adjustments arising from the audit that could, in our judgment, have a significant effect on the entity's financial reporting process.

Disagreements With Management. There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the City's financial statements or our report on those financial statements.

Consultations With Other Accountants. Management informed us that they made no consultations with other accountants on the application of generally accepted accounting principles or generally accepted auditing standards.

Major Issues Discussed With Management Prior to Retention. There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Difficulties Encountered in Performing the Audit. We encountered no difficulties in dealing with management related to the performance of our audit.

We will be pleased to respond to any questions you have regarding the foregoing comments.

Clifton Gunderson LLP