TIPTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

TIPTON COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2006

	Exhibit	Page
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-14
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	A	16-17
Statement of Activities	B	18-19
Governmental Fund Financial Statements		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	22
Statement of Revenues, Expenditures and Changes in Fund Balances	E	23-24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements		
Statement of Net Assets	G	26
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets	J	29
Statement of Changes in Fiduciary Net Assets	K	30
Notes to Financial Statements		31-45
Required Supplementary Information		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		47
Notes to Required Supplementary Information - Budgetary Reporting		48

TIPTON COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2006

	Schedule	Page
Other Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet	1	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	51
Schedule of Changes in Special Revenue Fund, Student Activity Accoun	3	52-53
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	55
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters		56-57
Schedule of Findings		58-60
Audit Staff		61

TIPTON COMMUNITY SCHOOL DISTRICT
Officials
June 30, 2006

Name	Title	Term Expires
	Board of Education	
	(Before September 2005 Election)	
Robert Young	Board President	2005
Ed Pelzer	Board Member	2006
Joan Frazier	Board Member	2007
Steve Emrich	Board Member	2007
Bill Schwitzer	Board Member	2006
	(After September 2005 Election)	
Ed Pelzer	Board President	2006
Joan Frazier	Board Member	2007
Steve Emrich	Board Member	2007
Bill Schwitzer	Board Member	2006
Duane Webb	Board Member	2008
	School Officials	
Jeffory Corkery	Superintendent	2006
James Becker	District Secretary/Treasurer	2006
Brian Gruhn	Attorney	2006

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Tipton Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Tipton Community School District, Tipton, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Tipton Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated August 1, 2006 on my consideration of Tipton Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 47 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tipton Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kay L. Chapman, CPA PC
August 1, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tipton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $6,094,283 in fiscal 2005 to $6,450,610 in fiscal 2006, while General Fund expenditures decreased from $6,285,574 in fiscal 2005 to $6,216,926 in fiscal 2006. The District's General Fund balance increased from $618,837 in fiscal 2005 to $792,951 in fiscal 2006, a 28% increase.

- The increase in General Fund revenues was attributable to an increase in open enrollment students coming into the district, special education tuition from students coming into the district, and interest income in fiscal 2006. The decrease in expenditures was due primarily to staff reduction and retirements. One reason the General Fund balance increased is because the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2006.

- During fiscal 2006, the District issued revenue bonds of $1,400,000 for the remodeling of the elementary building.

- An increase in interest rates during the 2006 fiscal year resulted in interest earnings in the General Fund alone increasing from $37,830 in fiscal 2005 to $84,960 in fiscal 2006.

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 District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tipton Community School District as a whole and present an overall view of the District's finances.

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

Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the non-major Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Tipton Community School District Annual Financial Report

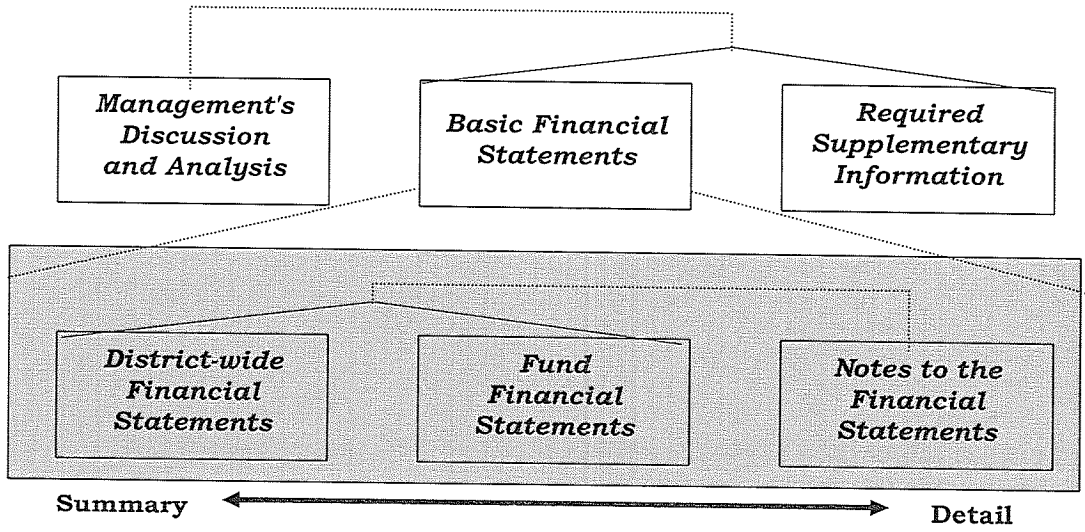

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component Unit*: The component unit includes the activities of the Tipton Community School District Foundation. The District is financially accountable for the Foundation although it is legally separate from the District.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	$ 6,666,986	$ 8,092,300	$ 39,849	$ 53,013	$ 6,706,835	$ 8,145,313	-17.66%
Capital assets	7,276,034	6,543,946	92,738	101,541	7,368,772	6,645,487	10.88%
Total assets	13,943,020	14,636,246	132,587	154,554	14,075,607	14,790,800	-4.84%
Long-term obligations	6,589,127	8,296,068	-	-	6,589,127	8,296,068	-20.58%
Other liabilities	4,667,649	4,535,261	18,289	18,003	4,685,938	4,553,264	2.91%
Total liabilities	11,256,776	12,831,329	18,289	18,003	11,275,065	12,849,332	-12.25%
Net assets							
Invested in capital assets, net of related debt	713,265	577,533	92,738	101,541	806,003	679,074	18.69%
Restricted	1,186,647	3,005,643	-	-	1,186,647	3,005,643	-60.52%
Unrestricted	786,332	(1,778,259)	21,560	35,010	807,892	(1,743,249)	-146.34%
Total net assets	$ 2,686,244	$ 1,804,917	$114,298	$ 136,551	$ 2,800,542	$ 1,941,468	44.25%

The District's combined net assets increased by approximately 44%, or $859,074, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by $1,818,996, or approximately 61% from the prior year. The decrease was primarily a result of a repayment of a cross over refunding of an older bond issue.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by $2,551,141, or approximately 146%. This increase in unrestricted net assets was a result of the District issuing bonds for the remodeling of the elementary building. As of June 30, 2006, $580,075 of the elementary project was completed.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4 Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
Revenues	2006	2005	2006	2005	2006	2005	2005-2006
Program revenues							
Charges for service and sales	$ 849,168	$ 694,957	$ 228,583	$ 218,893	$ 1,077,751	$ 913,850	17.94%
Operating grants & contributions	711,191	693,249	126,746	105,842	837,937	799,091	4.86%
General revenues							
Property tax	2,958,573	2,783,406	-	-	2,958,573	2,783,406	6.29%
Local option sales and service tax	391,350	360,710	-	-	391,350	360,710	8.49%
Unrestricted state grants	2,891,268	2,802,492	-	-	2,891,268	2,802,492	3.17%
Unrestricted investment earnings	207,675	49,512	175	196	207,850	49,708	318.14%
Other	23,417	46,193	-	-	23,417	46,193	-49.31%
Transfers	(40,173)	-	40,173	-	-	-	0.00%
Total revenues	7,992,469	7,430,519	395,677	324,931	8,388,146	7,755,450	8.16%
Program expenses							
Governmental activities							
Instruction	4,235,819	4,426,316	-	-	4,235,819	4,426,316	-4.30%
Support services	2,086,413	2,022,858	-	-	2,086,413	2,022,858	3.14%
Non-instructional programs	-	39,178	417,930	330,064	417,930	369,242	13.19%
Other expenses	788,910	3,146,995	-	-	788,910	3,146,995	-74.93%
Total expenses	7,111,142	9,635,347	417,930	330,064	7,529,072	9,965,411	-24.45%
Change in net assets	$ 881,327	$ (2,204,828)	$ (22,253)	$ (5,133)	$ 859,074	$ (2,209,961)	-138.87%

In fiscal 2006, property tax and unrestricted state grants account for 73.2% of the revenue from governmental activities while charges for services and sales and operating grants and contributions account for 89.8% of the revenue from business type activities.

The District's total revenues were $8,388,146 of which $7,992,469 was for governmental activities and $395,677 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.16% increase in revenues and a 24.45% decrease in expenses. Property tax increased $175,165. The decrease in expenses related to staff reduction and retirements as well as decreases in building-related expenses.

Governmental Activities

Revenues for governmental activities were $7,992,469 and expenses were $7,111,142. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
Instruction	$ 4,235,819	$ 4,426,316	-4.3%	$ 2,919,613	$ 3,299,999	-11.5%
Support services	2,086,413	2,022,858	3.1%	2,079,879	2,018,738	3.0%
Non-instructional programs	-	39,178	0.0%	-	39,178	0.0%
Other expenses	788,910	3,146,995	-74.9%	551,291	2,889,226	-80.9%
Total expenses	$ 7,111,142	$ 9,635,347	-26.2%	$ 5,550,783	$ 8,247,141	-32.7%

- The cost financed by users of the District's programs was $849,168.
- Federal and state governments subsidized certain programs with grants and contributions totaling $711,191.
- The net cost of governmental activities was financed with $3,349,923 in property and other taxes and $2,891,268 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $395,677 representing a 21.8 percent increase over the prior year while expenses totaled $417,930, a 26.7 percent increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the District's federal revenue increased due to increases in the number of free and reduced meals served. This increase in revenue was more than offset by salaries and benefits for nutrition staff and the replacement of obsolete kitchen equipment.

INDIVIDUAL FUND ANALYSIS

As previously noted, Tipton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of $1,999,337, well below last year's ending fund balances of $3,633,544. However, the primary reason for the decrease in combined fund balances in fiscal 2006 is due to the District executing a crossover refunding of $2,780,000 general obligation bonds originally issued in fiscal year 1998.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in open enrollment revenue, special education tuition, and interest income resulted in an increase in revenues. The District's decrease in General Fund expenditures was in large part due to personnel retirements and reductions at the end of fiscal year 2006.

- The General Fund balance increased from $618,837 to $792,951, due in large part to increased open enrollment and personnel retirements and reductions.

- The Capital Projects Fund balance increased from $126,452 in fiscal 2005 to $934,362 in fiscal 2006. The District issued bonds for the remodeling of the elementary building. The project had not been completed as of June 30, 2006.

- The Debt Service Fund balance decreased from $2,758,948 in fiscal 2005 to $11,285 in fiscal 2006. This was a result of the District doing a crossover refunding of an older bond issue.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from $136,551 at June 30, 2005 to $114,298 at June 30, 2006, representing an decrease of approximately 16%. For fiscal 2006, the District's increase in salaries and benefits and equipment expenditures resulted in a decrease in current assets. Depreciation of capital assets also contributed to the overall decrease in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Tipton Community School District amended its annual budget one time to reflect additional expenditures associated with the cross-over bond refunding, nutrition equipment expenses, and elementary upgrade expenses.

The District's receipts were $566,451 more than budgeted receipts, a variance of 7%. Receipts were more than budget in several areas. The most significant variance resulted from the District receiving more from special education tuition and the local option sales tax than originally budgeted.

Total expenditures were $643,075 less than the amended budget, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested $7,368,772, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 11% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was $302,995.

The original cost of the District's capital assets was $11,422,175. Governmental funds account for $11,195,346, with the remainder of $226,829 accounted for in the Proprietary, School Nutrition Fund.

The increase in capital assets during the year occurred due to an elementary building project which increased capital assets during the 2006 fiscal year.

Figure A-6 Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Land	$ 43,300	$ 43,300	$ -	$ -	$ 43,300	$ 43,300	0.00%
Construction in progress	580,076	-	-	-	580,076	-	0.00%
Buildings and improvements	198,865	217,855	-	-	198,865	217,855	-8.72%
Improvements, other than buildings	6,114,848	5,927,166	-	-	6,114,848	5,927,166	3.17%
Furniture and equipment	338,945	355,625	92,738	101,541	431,683	457,166	-5.57%
Totals	$7,276,034	$6,543,946	$ 92,738	$101,541	$7,368,772	$6,645,487	10.88%

Long-Term Debt

At June 30, 2006, the District had $6,589,127 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 21% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District's general obligation bonds consist of the following:

a) An issue dated March 15, 2005, having interest rates varying from 3.125% to 3.5% and an unpaid balance of $2,780,000.
b) An issue dated January 5, 2005, having interest rates varying from 2.2% to 4.3% and an unpaid balance of $2,200,000.

The District's revenue bonded indebtedness consists of an issue dated June 1, 2006, having an interest rate of 4.0% and an unpaid balance of $1,400,000.

The District had total outstanding bonded indebtedness at June 30, 2006 of $6,380,000.

The District also had total outstanding Capital Loan Notes payable from the Physical Plant and Equipment Levy Fund of $175,000 at June 30, 2006.

Figure A-7

Outstanding Long-term Obligations

	Total School District		Total Change
	2006	2005	2005-2006
General obligation bonds	$4,980,000	$7,930,000	-37.20%
Revenue bonds	1,400,000	-	0.00%
Capital loan notes	175,000	260,000	-32.69%
Capital leases	7,769	26,413	-70.59%
Early retirement	26,358	79,655	0.00%
Total	$6,589,127	$8,296,068	-20.58%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of circumstances that could affect its financial health in the future:

- Tipton Community School District has experienced declining certified enrollment for the past five years. The District expects a slight decline in enrollment over the next few years as larger class sizes will be graduating.

- The District negotiated a 2-year agreement with the Tipton Education Association (TEA) during fiscal 2005. A package settlement of 4.36% for fiscal 2007 exceeded allowable growth in state funding and will have an adverse effect on fiscal 2007.

- The District executed a $2,780,000 cross over refunding in fiscal 2006 to pay off general obligation bonds originally sold in fiscal 1998. The old bonds will be paid off in June 2006. This will have a minimal positive effect for the remaining life of the bonds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jim Becker, District Secretary/Treasurer, Tipton Community School District, 400 East 6th Street, Tipton, Iowa 52772.

Basic Financial Statements

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	Governmental Activities	Business Type Activities	Total	Component Unit Foundation
ASSETS				
Cash and cash equivalents				
ISCAP	$ 863,798	$ -	$ 863,798	$ -
Other	2,758,393	6,006	2,764,399	253,397
Receivables				
Property tax				
Delinquent	36,340	-	36,340	-
Succeeding year	2,712,993	-	2,712,993	-
Accounts receivable	429	-	429	-
Accrued interest				-
ISCAP	268	-	268	-
Other	1,546	-	1,546	-
Due from other governments	293,219	11,252	304,471	-
Inventories	-	22,591	22,591	-
Capital assets, net of accumulated depreciation	7,276,034	92,738	7,368,772	-
Total assets	13,943,020	132,587	14,075,607	253,397
LIABILITIES				
Accounts payable	416,733	-	416,733	-
Salaries and benefits payable	583,481	18,289	601,770	-
Due to other governments	62,875	-	62,875	-
Accrued interest payable	19,771	-	19,771	-
Deferred revenue - succeeding year property tax	2,712,993	-	2,712,993	-
ISCAP warrants payable	865,000	-	865,000	-
ISCAP accrued interest payable	213	-	213	-
ISCAP unamortized premium	6,583	-	6,583	-
Long-term liabilities				
Portion due within one year				
Notes payable	85,000	-	85,000	-
General obligation bonds payable	300,000	-	300,000	-
Revenue bonds payable	60,000	-	60,000	-
Capital leases payable	7,769	-	7,769	-
Early retirement payable	26,358	-	26,358	-
Portion due after one year				
Notes payable	90,000	-	90,000	-
General obligation bonds payable	4,680,000	-	4,680,000	-
Revenue bonds payable	1,340,000	-	1,340,000	-
Total liabilities	11,256,776	18,289	11,275,065	-

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	Governmental Activities	Business Type Activities	Total	Component Unit Foundation
NET ASSETS				
Invested in capital assets, net of related debt	$ 713,265	$ 92,738	$ 806,003	$ -
Restricted for				
Management levy	87,191	-	87,191	-
Debt service levy	11,285	-	11,285	-
Capital projects	934,362	-	934,362	1,688
Other special revenue purposes	153,809	-	153,809	218,536
Unrestricted	786,332	21,560	807,892	33,173
Total net assets	$2,686,244	$ 114,298	$ 2,800,542	$ 253,397

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Component Unit: Foundation
Governmental activities								
Instruction								
Regular instruction	$ 2,542,376	$ 587,414	$279,333	$ -	$ (1,675,629)	$ -	$ (1,675,629)	
Special instruction	997,645	255,220	178,303	-	(564,122)	-	(564,122)	
Other instruction	695,798	-	15,936	-	(679,862)	-	(679,862)	
	4,235,819	842,634	473,572	-	(2,919,613)	-	(2,919,613)	
Support services								
Student services	125,077	-	-	-	(125,077)	-	(125,077)	
Instructional staff services	426,454	-	-	-	(426,454)	-	(426,454)	
Administration services	715,647	-	-	-	(715,647)	-	(715,647)	
Operation and maintenance of plant services	573,664	6,534	-	-	(567,130)	-	(567,130)	
Transportation services	245,571	-	-	-	(245,571)	-	(245,571)	
	2,086,413	6,534	-	-	(2,079,879)	-	(2,079,879)	
Non-instructional programs	-	-	-	-	-	-	-	
Other expenditures								
Facilities acquisition	46,912	-	-	-	(46,912)	-	(46,912)	
Long-term debt interest	326,341	-	-	-	(326,341)	-	(326,341)	
AEA flowthrough	237,619	-	237,619	-	-	-	-	
Depreciation (unallocated)*	178,038	-	-	-	(178,038)	-	(178,038)	
	788,910	-	237,619	-	(551,291)	-	(551,291)	
Total governmental activities	7,111,142	849,168	711,191	-	(5,550,783)	-	(5,550,783)	

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Component Unit: Foundation
Business-type activities								
Non-instructional programs								
Food service operations	$ 417,930	$ 228,583	$ 126,746	$ -	$ -	$ (62,601)	$ (62,601)	
Total primary government	$ 7,529,072	$ 1,077,751	$ 837,937	$ -	(5,550,783)	(62,601)	(5,613,384)	
Component Unit								
Foundation	$ -	$ -	$ -	$ -	-	-	-	$ (69,708)
General Revenues								
Property tax levied for								
General purposes					2,379,995	-	2,379,995	-
Debt service					413,581	-	413,581	-
Capital outlay					164,997	-	164,997	-
Local option sales and services tax					391,350	-	391,350	-
Unrestricted state grants					2,891,268	-	2,891,268	-
Unrestricted investment earnings					207,675	175	207,850	15,629
Other					23,417	-	23,417	57,460
Transfers in (out)					(40,173)	40,173	-	-
Total general revenues and transfers					6,432,110	40,348	6,472,458	73,089
Change in net assets					881,327	(22,253)	859,074	3,381
Net assets, beginning of year					1,804,917	136,551	1,941,468	250,016
Net assets, end of year					$ 2,686,244	$ 114,298	$ 2,800,542	$ 253,397

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit C

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments					
ISCAP	$ 863,798	$ -	$ -	$ -	$ 863,798
Other	1,304,723	1,103,228	25,573	324,869	2,758,393
Receivables					
Property tax					
Delinquent	27,134	-	5,671	3,535	36,340
Succeeding year	1,989,979	-	451,196	271,818	2,712,993
Accounts receivable	429	-	-	-	429
Accrued interest					
ISCAP	268	-	-	-	268
Other	-	-	-	1,546	1,546
Due from other funds	55,000	-	-	-	55,000
Due from other governments	150,975	142,244	-	-	293,219
Total assets	$ 4,392,306	$ 1,245,472	$ 482,440	$ 601,768	$ 6,721,986
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 92,398	$ 311,110	$ 19,959	$ 13,037	$ 436,504
Salaries and benefits payable	582,307	-	-	1,174	583,481
Due to other funds	-	-	-	55,000	55,000
Due to other governments	62,875	-	-	-	62,875

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit C

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Liabilities (continued)					
ISCAP warrants payable	$ 865,000	$ -	$ -	$ -	$ 865,000
ISCAP accrued interest payable	213	-	-	-	213
ISCAP unamortized premium	6,583	-	-	-	6,583
Deferred revenue					
Succeeding year property tax	1,989,979	-	451,196	271,818	2,712,993
Total liabilities	3,599,355	311,110	471,155	341,029	4,722,649
Fund balances					
Reserved for					
Debt service	-	-	11,285	-	11,285
Designated for special purpose	15,521	-	-	-	15,521
Unreserved					
Management	-	-	-	113,549	113,549
Student Activities	-	-	-	153,809	153,809
Physical Plant and Equipment Levy	-	-	-	(6,619)	(6,619)
Other governmental	777,430	934,362	-	-	1,711,792
Total fund balances	792,951	934,362	11,285	260,739	1,999,337
Total liabilities and fund balances	$ 4,392,306	$ 1,245,472	$ 482,440	$ 601,768	$ 6,721,986

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2006

Exhibit D

Total fund balances of governmental funds	$ 1,999,337
Amounts reported for governmental activites in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,276,034
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(6,589,127)
Net assets of governmental activities	$ 2,686,244

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit E

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
Revenues					
Local sources					
Local tax	$2,142,174	$ 391,350	$ 413,238	$400,984	$3,347,746
Tuition	575,238	-	-	-	575,238
Other	129,117	5,582	105,963	264,360	505,022
State sources	3,417,850	-	343	212	3,418,405
Federal sources	186,231	-	-	-	186,231
Total revenues	6,450,610	396,932	519,544	665,556	8,032,642
Expenditures					
Current					
Instruction					
Regular instruction	2,483,568	-	-	53,298	2,536,866
Special instruction	1,026,530	-	-	-	1,026,530
Other instruction	485,160	-	-	212,138	697,298
	3,995,258	-	-	265,436	4,260,694
Support services					
Student services	198,545	-	-	-	198,545
Instructional staff services	399,113	-	-	-	399,113
Administration services	667,807	5,465	-	39,460	712,732
Operation & maintenance of plant services	535,392	-	-	36,518	571,910
Transportation services	183,192	-	-	24,582	207,774
	1,984,049	5,465	-	100,560	2,090,074

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
Expenditures (continued)					
Other expenditures					
Facilities acquisition	$ -	$ 913,557	$ -	$ 68,242	$ 981,799
Long-term debt					
Principal	-	-	3,053,645	-	3,053,645
Interest and fiscal charges	-	-	402,845	-	402,845
AEA flowthrough	237,619	-	-	-	237,619
	237,619	913,557	3,456,490	68,242	4,675,908
Total expenditures	6,216,926	919,022	3,456,490	434,238	11,026,676
Excess (deficiency) of revenues over (under) expenditures	233,684	(522,090)	(2,936,946)	231,318	(2,994,034)
Other financing sources (uses)					
Proceeds of long-term debt	-	1,400,000	-	-	1,400,000
Interfund operating transfers in (out)	(59,570)	(70,000)	189,283	(99,886)	(40,173)
Total other financing sources (uses)	(59,570)	1,330,000	189,283	(99,886)	1,359,827
Net change in fund balances	174,114	807,910	(2,747,663)	131,432	(1,634,207)
Fund balance, beginning of year	618,837	126,452	2,758,948	129,307	3,633,544
Fund balance, end of year	$ 792,951	$ 934,362	$ 11,285	$ 260,739	$ 1,999,337

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006

Exhibit F

Net change in fund balances - total governmental funds		$ (1,634,207)
Amounts reported for governmental activites in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	$ 1,018,143	
Depreciation expense	(286,055)	732,088
Proceeds from issuing long-term liabilities provide current financing resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded the issuances, as follows:		
Issued	(1,400,000)	
Repaid	3,053,644	1,653,644
Interest on long-term debt in the Statement of Activites differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		76,505
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, threfore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		53,297
Change in net assets of governmental activities		$ 881,327

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2006

Exhibit G

	Nonmajor School Nutrition
ASSETS	
Cash and pooled investments	$ 6,006
Due from other governments	11,252
Inventories	22,591
Capital assets, net of accumulated depreciation	92,738
Total assets	132,587
LIABILITIES	
Liabilities	
Salaries and benefits payable	18,289
NET ASSETS	
Invested in capital assets, net of related debt	92,738
Unreserved retained earnings	21,560
Total net assets	$ 114,298

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

Exhibit H

	Nonmajor School Nutrition
Operating revenue	
Local sources	
Charges for service	$ 228,583
Operating expenses	
Non-instructional programs	
Salaries	128,987
Benefits	56,118
Purchased services	12,667
Supplies	203,218
Depreciation	16,940
Total operating expenses	417,930
Operating loss	(189,347)
Non-operating revenue	
Interest income	175
State sources	4,690
Federal sources	122,056
Total non-operating revenue	126,921
Loss before transfers	(62,426)
Transfers in	40,173
Change in net assets	(22,253)
Net assets, beginning of year	136,551
Net assets, end of year	$ 114,298

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

Exhibit I

	Nonmajor School Nutrition
Cash flows from operating activities	
Cash received from sale of lunches and breakfasts	$ 228,583
Cash payments to employees for services	(184,819)
Cash payments to suppliers for goods and services	(192,916)
Net cash used in operating activities	(149,152)
Cash flows from non-capital financing activities	
State grants received	4,690
Federal grants received	122,056
Net cash provided by non-capital financing activities	126,746
Cash flows from capital and related financing activities	
Acquisition of capital assets	(2,226)
Cash flows from investing activities	
Interest on investments	175
Net decrease in cash and cash equivalents	(24,457)
Cash and cash equivalents, beginning of year	30,463
Cash and cash equivalents, end of year	$ 6,006
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (189,347)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	16,940
Commodities used	23,010
(Increase) in inventories	(41)
Increase in salaries and benefits payable	286
Net cash used in operating activities	$ (149,152)

Non-cash investing, capital and financing activities

During the year ended June 30, 2006, the District received $23,010 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

Exhibit J

	Private Purpose Trust Scholarships	Agency
Assets		
Cash and pooled investments	$ 757,112	$ 13,383
Accrued interest receivable	1,842	-
Total assets	758,954	13,383
Liabilities		
Accounts payable	6,250	-
Due to others	-	13,383
Total liabilities	6,250	13,383
Net assets		
Reserved for scholarships	$ 752,704	$ -

See notes to financial statements and Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2006

Exhibit K

	Private Purpose Trust Scholarships
Additions	
Local sources	
Gifts and contributions	$ 400
Interest	23,369
Total additions	23,769
Deductions	
Other instruction	
Scholarships awarded	22,128
Change in net assets	1,641
Net assets, beginning of year	751,063
Net assets, end of year	$ 752,704

See notes to financial statements and Independent Auditor's Report.

Note 1. Summary of Significant Accounting Policies

The Tipton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Tipton, Iowa, and the agricultural territory in Cedar County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tipton Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District 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 District are such that exclusion would cause the District'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 District 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 District.

These financial statements present the Tipton Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The Tipton Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental Fund in these financial statements.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cedar County Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are 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 expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

The District reports the following nonmajor proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments and early retirement benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by

statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	$2,500
Buildings	$2,500
Improvements other than buildings	$2,500
Furniture and equipment:	
School Nutrition Fund equipment	$ 500
Other furniture and equipment	$2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Useful Life
Buildings	50 years
Improvements to buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2006. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Designated Fund Balance - The District has designated a portion of its fund balance for specific programs.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the non-instructions programs functional area exceeded the amount budgeted. However, the District did not exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 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 District 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 Board of Education; 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.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 1,396,069

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Physical Plant and Equipment Levy	$ 55,000

The Physical Plant and Equipment Levy Fund borrowed $605,000 from the General Fund during the year ended June 30, 2002 for improvements to the buildings, in connection with a remodeling project. The loan has no payment schedule and the District did not make any repayments during the year ended June 30, 2006. However, the District anticipates repaying the remaining balance over the next few years from taxes generated from the Physical Plant and Equipment Levy.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Physical Plant and Equipment Levy	General	$ 19,397
Debt Service	Physical Plant and Equipment Levy	118,899
Debt Service	Capital Projects	70,901
		$ 209,197

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2006-07A	6/28/06	6/28/07	$ 863,798	$ 268	$ 865,000	$ 213	$ 6,583

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance, Beginning of Year	Advances Received	Advances Repaid	Balance, End of Year
2005-06A	$ -	$ 200,000	$ 200,000	$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.9030%
2005-06B	4.500%	4.7720%
2006-07A	4.500%	5.6760%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

Governmental activities	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	$ 43,300	$ -	$ -	$ 43,300
Construction in progress	-	580,076	-	580,076
Total capital assets not being depreciated	43,300	580,076	-	623,376
Capital assets being depreciated:				
Buildings and improvements	464,173	-	-	464,173
Improvements other than buildings	8,516,479	345,726	-	8,862,205
Furniture and equipment	1,223,558	92,341	(70,307)	1,245,592
Total capital assets being depreciated	10,204,210	438,067	(70,307)	10,571,970
Less accumulated depreciation for:				
Buildings and improvements	246,318	18,990	-	265,308
Improvements other than buildings	2,589,313	158,044	-	2,747,357
Furniture and equipment	867,933	109,021	(70,307)	906,647
Total accumulated depreciation	3,703,564	286,055	(70,307)	3,919,312
Total capital assets being depreciated, net	6,500,646	152,012	-	6,652,658
Governmental activities capital assets, net	$ 6,543,946	$ 732,088	$ -	$ 7,276,034
Business type activities				
Furniture and equipment	$ 228,068	$ 8,137	$ (9,376)	$ 226,829
Less accumulated depreciation	126,527	16,940	(9,376)	134,091
Business type activities capital assets, net	$ 101,541	$ (8,803)	$ -	$ 92,738

Depreciation expense was charged to the following functions:

Governmental activities	
Instruction	
Regular	$ 30,356
Other	2,661
Support services	
Student	302
Instructional staff	32,232
Administration	2,915
Operation and maintenance of plant	1,754
Transportation	37,797
Unallocated depreciation	178,038
Total governmental activities depreciation expense	$ 286,055
Business type activities	
Food services	$ 16,940

Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	$7,930,000		$(2,950,000)	$ 4,980,000	$ 300,000
Revenue bonds	-	1,400,000	-	1,400,000	60,000
Capital loan notes	260,000	-	(85,000)	175,000	85,000
Capital leases	26,413	-	(18,644)	7,769	7,769
Early retirement	79,655	-	(53,297)	26,358	26,358
Totals	$8,296,068	$ 1,400,000	$(3,106,941)	$ 6,589,127	$ 479,127

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

a) An issue dated March 15, 2005, having an interest rate varying from 3.125% to 3.5% and an unpaid balance of $2,780,000.
b) An issue dated January 5, 2005, having an interest rate varying from 2.2% to 4.3% and an unpaid balance of $2,200,000.

Details of the District's June 30, 2006 general obligation bonded indebtedness principal payments, are as follows:

Year Ending June 30,	Bond Issue Date March 15, 2005	January 5, 2005	Total
2007	$ 210,000	$ 90,000	$ 300,000
2008	220,000	95,000	315,000
2009	225,000	95,000	320,000
2010	235,000	100,000	335,000
2011	240,000	100,000	340,000
2012	250,000	105,000	355,000
2013	260,000	110,000	370,000
2014	270,000	110,000	380,000
2015	280,000	115,000	395,000
2016	290,000	120,000	410,000
2017	300,000	125,000	425,000
2018	-	130,000	130,000
2019	-	135,000	135,000
2020	-	140,000	140,000
2021	-	145,000	145,000
2022	-	155,000	155,000
2023	-	160,000	160,000
2024	-	170,000	170,000
Totals	$ 2,780,000	$ 2,200,000	$ 4,980,000

Details of the general bond interest requirements to maturity as of June 30, 2006, is as follows:

Year Ending June 30,	Bond Issue Date		
	March 15, 2005	January 5, 2005	Total
2007	$ 91,242	$ 79,952	$ 171,194
2008	84,680	77,882	162,562
2009	77,750	75,508	153,258
2010	70,663	72,943	143,606
2011	63,260	69,943	133,203
2012	55,340	66,793	122,133
2013	47,090	63,327	110,417
2014	38,510	59,643	98,153
2015	29,600	55,847	85,447
2016	20,360	51,765	72,125
2017	10,500	47,385	57,885
2018	-	42,635	42,635
2019	-	37,565	37,565
2020	-	32,165	32,165
2021	-	26,565	26,565
2022	-	20,620	20,620
2023	-	14,110	14,110
2024	-	7,310	7,310
Totals	$ 588,995	$ 901,958	$ 1,490,953

Revenue Bonds Payable

Details of the District's June 30, 2006 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated June 1, 2006		
	Interest	Principal	Total
2007	$ 32,667	$ 60,000	$ 92,667
2008	52,000	160,000	212,000
2009	45,600	160,000	205,600
2010	39,100	170,000	209,100
2011	32,300	175,000	207,300
2012	25,200	185,000	210,200
2013	17,700	190,000	207,700
2014	10,000	200,000	210,000
2015	2,000	100,000	102,000
Totals	$ 256,567	$ 1,400,000	$ 1,656,567

The school infrastructure local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

a) Commencing August 1, 2006 monthly deposits of $4,545 shall be made to the Reserve Fund. The Reserve Fund is to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
b) All proceeds from the local option sales and services tax shall be placed in the Revenue Account.
c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
d) All monies remaining in the Revenue Account after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Capital Loan Notes

On October 4, 2000 the District issued capital loan notes in the amount of $625,000 for the purpose of building remodeling and construction. The notes bear interest at 5.75% and are scheduled to be repaid as follows:

Year Ending June 30,	Interest	Principal	Total
2007	$ 10,062	$ 85,000	$ 95,062
2008	5,175	90,000	95,175
Totals	$ 15,237	$ 175,000	$ 190,237

Early Retirement

Certified District employees who have 15 years of continuous service and are over age 55 and under age 65 are eligible for early retirement benefits. The amount of compensation is determined as follows. Certified employees between the ages of 55-59 with 15 or more years of continuous service to the District will receive a retirement incentive equal to 100 days per diem of their previous year contract. Certified employees between the ages of 60-64 with 20 or more years of continuous service to the District will receive a retirement incentive equal to 50 days per diem of their previous year contract.

The employee must notify the Board by March 1st to receive the early retirement benefits. At June 30, 2006 there was $26,358 of early retirement benefits payable. Vacation does not accrue and sick leave is not payable except in conjunction with retirement and therefore, the District does not have a liability for compensated absences at June 30, 2006.

Capital Leases

The District has entered into a contractual agreement to lease copiers. This agreement represents a lease-purchase agreement and, in substance, is a capital lease as ownership of the property transfers to the District at the end of the lease term. A schedule of future minimum lease payments and the present value of net minimum lease payments as of June 30, 2006 is as follows:

Year Ending June 30,	Payments
2007	$ 8,610
Less amount representing interest	(841)
Present value of net minimum lease payments	$ 7,769

Note 8. Pension and Retirement Benefits

The District 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, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were $211,705, $220,844 and $165,015 respectively, equal to the required contributions for each year.

Note 9. Risk Management

The District 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 District 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.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled $237,619 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Related Party Transactions

The District had business transactions between the District and a board member, totaling $26 during the year ended June 30, 2006.

Note 12. Deficit Balance

The District had an unreserved, undesignated fund deficit of $6,619 in the Special Revenue, Physical Plant and Equipment Levy Fund at June 30, 2006.

Required Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Fund
Required Supplementary Information
For the Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues						
Local sources	$ 4,428,006	$ 228,758	$ 4,656,764	$ 3,920,767	$ 4,100,767	$ 555,997
Intermediate sources	-	-	-	200	200	(200)
State sources	3,418,405	4,690	3,423,095	3,525,695	3,525,695	(102,600)
Federal sources	186,231	122,056	308,287	195,033	195,033	113,254
Total revenues	8,032,642	355,504	8,388,146	7,641,695	7,821,695	566,451
Expenditures						
Instruction	4,260,694	-	4,260,694	4,581,837	4,581,837	321,143
Support services	2,090,074	-	2,090,074	2,105,283	2,205,283	115,209
Non-instructional programs	981,799	417,930	1,399,729	346,184	426,184	(973,545)
Other expenditures	3,694,109	-	3,694,109	1,074,377	4,874,377	1,180,268
Total expenditures	11,026,676	417,930	11,444,606	8,107,681	12,087,681	643,075
Deficiency of revenues under expenditures	(2,994,034)	(62,426)	(3,056,460)	(465,986)	(4,265,986)	1,209,526
Other financing sources, net	1,359,827	40,173	1,400,000	135,500	3,935,500	(2,535,500)
Deficiency of revenues and other financing sources under expenditures	(1,634,207)	(22,253)	(1,656,460)	(330,486)	(330,486)	(1,325,974)
Balance, beginning of year	3,633,544	136,551	3,770,095	1,164,715	1,164,715	2,605,380
Balance, end of year	$ 1,999,337	$ 114,298	$ 2,113,635	$ 834,229	$ 834,229	$ 1,279,406

See accompanying Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund, each major Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by $3,980,000.

During the year ended June 30, 2006, District expenditures did not exceed the amounts budgeted; nor did General Fund expenditures exceed the unspent authorized budget.

Other Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

Schedule 1

	Special Revenue			
	Management	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	$ 112,277	$ 166,474	$ 46,118	$ 324,869
Receivables				
Property tax				
Delinquent	1,272	-	2,263	3,535
Succeeding year	90,000	-	181,818	271,818
Accrued interest	-	1,546	-	1,546
Total assets	$ 203,549	$ 168,020	$ 230,199	$ 601,768
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	$ -	$ 13,037	$ -	$ 13,037
Salaries and benefits payable	-	1,174	-	1,174
Due to other fund	-	-	55,000	55,000
Deferred revenue				
Succeeding year property tax	90,000	-	181,818	271,818
Total liabilities	90,000	14,211	236,818	341,029
Fund equity				
Unreserved fund balances	113,549	153,809	(6,619)	260,739
Total liabilities and fund equity	$ 203,549	$ 168,020	$ 230,199	$ 601,768

See accompanying Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

Schedule 2

	Special Revenue			
Revenues	Management	Student Activity	Physical Plant and Equipment Levy	Total
Local sources				
Local taxes	$ 90,655	$ -	$ 310,329	$ 400,984
Other	2,662	258,879	2,819	264,360
State sources	75	-	137	212
Total revenues	93,392	258,879	313,285	665,556
Expenditures				
Current				
Instruction				
Regular instruction	53,298	-	-	53,298
Other instruction	-	212,138	-	212,138
Support services				
Administration services	30,892	3,888	4,680	39,460
Operation and maintenance of plant	36,299	219	-	36,518
Transportation services	8,148	16,434	-	24,582
Other expenditures				
Facilities acquisition and construction	-	-	68,242	68,242
Total expenditures	128,637	232,679	72,922	434,238
Excess (deficiency) of revenue over (under) expenditures	(35,245)	26,200	240,363	231,318
Other financing sources (uses)				
Interfund operating transfers in	-	-	19,397	19,397
Interfund operating transfers (out)	-	-	(119,283)	(119,283)
Total financing uses	-	-	(99,886)	(99,886)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(35,245)	26,200	140,477	131,432
Fund balances, beginning of year	148,794	127,609	(147,096)	129,307
Fund balances, end of year	$ 113,549	$ 153,809	$ (6,619)	$ 260,739

See accompanying Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2006

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Drama club	$ 2,443	$ 3,868	$ 3,523	$ 2,788
Forensics	3,054	5,060	3,764	4,350
Choir	2,964	7,828	7,306	3,486
Instrumental music	3,287	1,868	1,428	3,727
Middle school music	2,438	37	-	2,475
High school band color guard	-	960	-	960
High school athletics	11,141	33,211	28,124	16,228
Cross country	-	1,585	1,585	-
Cross country special	1,150	5,949	3,983	3,116
Golf	-	440	440	-
Golf special	419	1,285	1,346	358
Boys basketball	-	4,921	4,921	-
Boys basketball special	-	4,841	2,830	2,011
Football	-	5,198	5,198	-
Football special	3,519	10,441	10,405	3,555
Baseball	-	2,733	2,733	-
Baseball special	2,436	3,676	5,090	1,022
Boys track	-	2,333	2,333	-
Boys track special	1,218	2,238	1,409	2,047
Wrestling	-	2,974	2,974	-
Wrestling special	1,644	3,932	5,537	39
Girls basketball	-	3,386	3,386	-
Girls basketball special	4,697	6,645	7,139	4,203
Volleyball	-	2,591	2,591	-
Volleyball special	4,084	6,615	5,156	5,543
Softball	-	3,024	3,024	-
Softball special	983	1,852	861	1,974
Girls track	-	4,095	4,095	-
Girls track special	2,905	1,704	2,049	2,560
Athletic strength and conditioning	-	600	600	-
Special S&C	-	4,118	1,860	2,258
Girls swimming	-	905	905	-
Girls swimming special	1,269	2,272	2,209	1,332

See accompanying Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

For the Year Ended June 30, 2006

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Academic decathlon	$ 134	$ 720	$ 754	$ 100
Art club	810	487	995	302
Thespians	229	2,089	2,008	310
Football cheerleaders	1,460	3,399	2,848	2,011
Basketball cheerleaders	420	-	-	420
Wrestling cheerleaders	531	1,760	1,375	916
High school student council	4,736	6,856	5,152	6,440
FFA	179	18,311	15,498	2,992
Yearbook	693	11,300	10,927	1,066
Spanish	226	-	10	216
Elementary grade fund	5,187	10,045	9,306	5,926
Invention Convention	103	85	157	31
Middle school activity fund	-	14,951	16,471	(1,520)
Middle school athletics fund	-	10,272	11,597	(1,325)
MDT fund	496	1,455	1,675	276
Middle school lifeskills	-	420	200	220
Jump Rope for Heart	702	-	-	702
Elementary library	198	-	-	198
Middle school student council	-	3,697	200	3,497
Gifted and talented	199	-	-	199
Elementary TAG	321	-	-	321
Class of 2005	1,426	-	1,426	-
Class of 2006	375	8	333	50
Class of 2007	650	16,231	16,742	139
Class of 2008	231	1,505	660	1,076
Class of 2009	-	355	93	262
Tigerette dance squad	373	5,135	2,086	3,422
Investment account interest	56,728	5,682	1,413	60,997
Special projects	1,299	931	1,697	533
Activity tickets	252	-	252	-
Totals	$ 127,609	$ 258,879	$ 232,679	$ 153,809

See accompanying Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2006

Schedule 4

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Assets				
Cash	$ 12,141	$ 49,805	$ 48,563	$ 13,383
Liabilities				
Due to others	$ 12,141	$ 49,805	$ 48,563	$ 13,383

See accompanying Independent Auditor's Report.

TIPTON COMMUNITY SCHOOL DISTRICT

Schedule 5

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types
For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues				
Local sources				
Local tax	$ 3,347,746	$ 3,141,934	$ 2,921,860	$ 2,618,774
Tuition	575,238	418,697	374,366	39,820
Other	505,022	345,796	303,341	854,314
State sources	3,418,405	3,282,078	3,133,521	3,199,989
Federal sources	186,231	215,590	188,166	162,859
Total revenues	$ 8,032,642	$ 7,404,095	$ 6,921,254	$ 6,875,756
Expenditures				
Instruction				
Regular instruction	2,536,866	2,636,249	2,719,327	2,685,768
Special instruction	1,026,530	1,034,977	878,801	867,514
Other instruction	697,298	658,313	664,135	522,145
Support services				
Student services	198,545	186,142	175,088	170,022
Instructional staff services	399,113	438,747	407,272	353,565
Administration services	712,732	668,015	654,132	629,851
Operation and maintenance of plant services	571,910	562,547	573,476	544,533
Transportation services	207,774	156,664	149,043	161,003
Central support services	-	-	5,002	4,681
Non-instructional programs	-	39,178	39,068	27,554
Other expenditures				
Facilities acquisition	981,799	2,468,005	137,044	75,708
Long-term debt				
Principal	3,053,645	268,645	270,946	238,840
Interest and other charges	402,845	263,245	178,573	190,036
AEA flowthrough	237,619	231,345	232,780	249,979
Total expenditures	$ 11,026,676	$ 9,612,072	$ 7,084,687	$ 6,721,199

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

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

To the Board of Education
Tipton Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Tipton Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated August 1, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable 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 caused by error or fraud 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. My 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, of the reportable conditions described above, I believe item 06-I-A, Segregation of Duties is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tipton Community School District'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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Tipton Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
August 1, 2006

TIPTON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

06-I-A Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part II. Other Findings Related to Statutory Reporting:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2006.

2. Certified Budget - Expenditures for the year ended June 30, 2006 did not exceed the amended amounts budgeted.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

4. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

5. Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Steve Emrich, Board Member owner Main Street Cafe	Refreshments	$ 26

The transactions with the Board member do not appear to represent a conflict of interest since the total did not exceed $2,500 for the fiscal year, as allowed by Chapter 279.7A of the Code of Iowa.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We will review the situation.

Conclusion - Response accepted.

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

7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.

8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

TIPTON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

11. Financial Condition - The District had an unreserved, undesignated deficit in the Special Revenue, Physical Plant and Equipment Levy Fund of $6,619 at June 30, 2006.

    Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate this deficit.

    Response - The deficit in the Physical Plant and Equipment Levy Fund is due to a loan owed to the General Fund, which will be repaid over a six-year period.

    Conclusion - Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2006

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant