



CITY OF TIPTON, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2008

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CITY OF TIPTON

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shirley Kepford	Mayor	December 2011
Bob Klemme	1 st Ward Council Person	December 2011
Dean Anderson	2 nd Ward Council Person	December 2009
Klay Johnson	3 rd Ward Council Person	December 2011
Donald McGlaughlin	At Large Council Person	December 2011
Warren Wethington	At Large Council Person	December 2009
Doug Boldt	City Manager	
John Foley	Clerk, Collector	
Lorna Fletcher	Finance Officer/ Deputy City Clerk	
Steve Nash	Director of Public Works	
Virgil Penrod	Gas Superintendent	
John Packwood	Electric Superintendent	
Roger Hakeman	Chief of Police	
L.E. Dendinger	City Attorney	
Marvin Miller	Zoning Administrator	

CITY OF TIPTON

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Tipton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2009 on our consideration of the City of Tipton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 19 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Tipton's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 13, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Cedar Rapids, Iowa
March 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tipton provides this Management's Discussion and Analysis of its financial statements as a narrative overview of the financial activities for the fiscal year ended June 30, 2008. Readers are encouraged to consider this information in conjunction with the City's financial statements which follow.

2008 FINANCIAL HIGHLIGHTS

- The City's total cash basis net assets decreased by 27% at the close of fiscal year 2008 or \$1,427,299. Governmental activities cash basis net assets decreased by \$866,696.
- City governmental activities revenues increased \$99,140 or 4.8% when compared to fiscal year 2007. Significant changes were due to transfers and other financing sources.
- General government activities expenditures increased \$231,980 or 6.5% during this same period. That increase was due to a Tipton Economic Development Corporation loan extension for the purchase of additional ground in the Tipton Business Park and the Downtown Sidewalk/Streetscape Project.
- Business type activities (the City's enterprise funds) operating revenues increased by \$49,488 or 1% and direct operating expenses increased \$285,072 or 4% when compared to the prior year.
- The City has \$5,689,000 in long term debt compared to \$6,746,000 at the close of fiscal year 2008. There was no new debt issued during the current fiscal year. The change between years is the required debt service payments.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Statement of Activities and Cash Basis Net Assets (Exhibit A). This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Government Fund Financial Statements (Exhibits B & C) tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

- The Proprietary Fund Financial Statements (Exhibit D) tell how business type activities were financed in the short term as well as what remains for future spending.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information provides budgetary comparison schedules of receipts, disbursements, and changes in balances for all governmental and proprietary funds.
- Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

Fund Financial Statements

The City has two types of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending in the following year. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
 - The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balance.
- Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise funds are used to report business type activities. The City maintains a number of enterprise funds to provide separate information for electric and gas funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.
 - The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.
 - Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

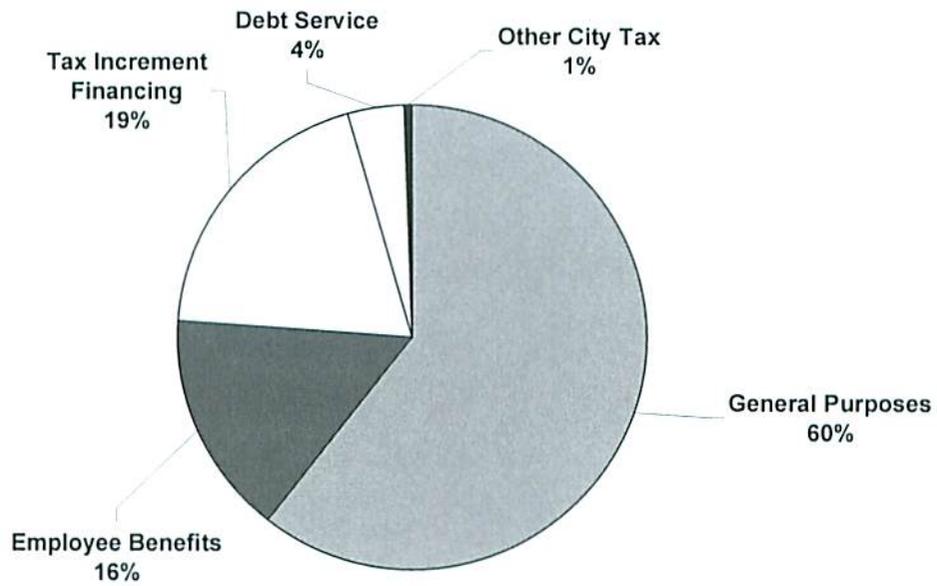
Net assets may serve, over time, as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$1,822,894 to \$956,198. The analysis following focuses on the changes in cash balances for governmental activities:

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

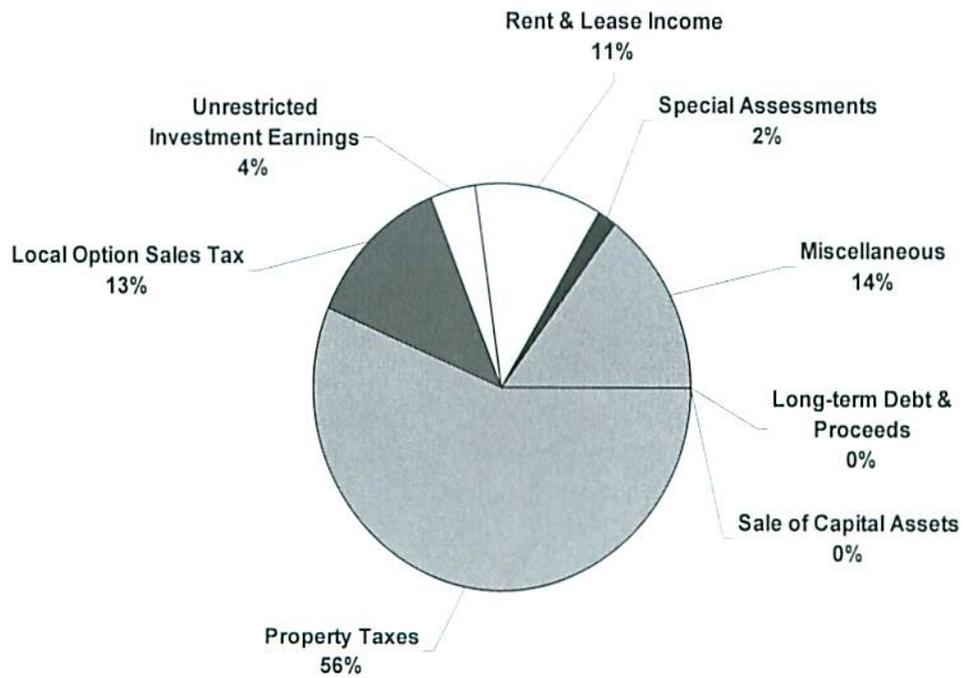
GOVERNMENTAL ACTIVITIES

	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 286,730	\$ 295,483
Operating grants, contributions and restricted interest	651,757	961,679
Capital grants, contributions and restricted interest	312,877	239,498
General receipts:		
Property tax	1,109,498	1,055,681
Other city tax	6,094	7,086
Local Option Sales Tax	248,645	154,754
Unrestricted investment earnings	73,677	133,238
Rent and lease income	214,259	198,480
Special assessments	33,504	25,992
Miscellaneous	288,951	229,213
Sale of capital assets	-	64,556
Interfund loans	(30,315)	(28,065)
Transfers, net	<u>222,434</u>	<u>226,672</u>
Total receipts and transfers	<u>3,418,111</u>	<u>3,564,267</u>
Disbursements:		
General government:		
Public safety	638,724	723,533
Public works	415,650	462,406
Culture and recreation	724,830	587,047
Community and economic development	206,325	73,788
General government	716,081	952,631
Debt service	600,297	592,008
Capital projects	<u>982,900</u>	<u>895,413</u>
Total general government disbursements	<u>4,284,807</u>	<u>4,286,826</u>
Change in Cash Basis Net Assets	(866,696)	(722,559)
Cash Basis Net Assets, Beginning of Year	<u>1,822,894</u>	<u>2,545,453</u>
Cash Basis Net Assets, End of Year	<u>\$ 956,198</u>	<u>\$1,822,894</u>

Property Tax Levies



Receipts by Source

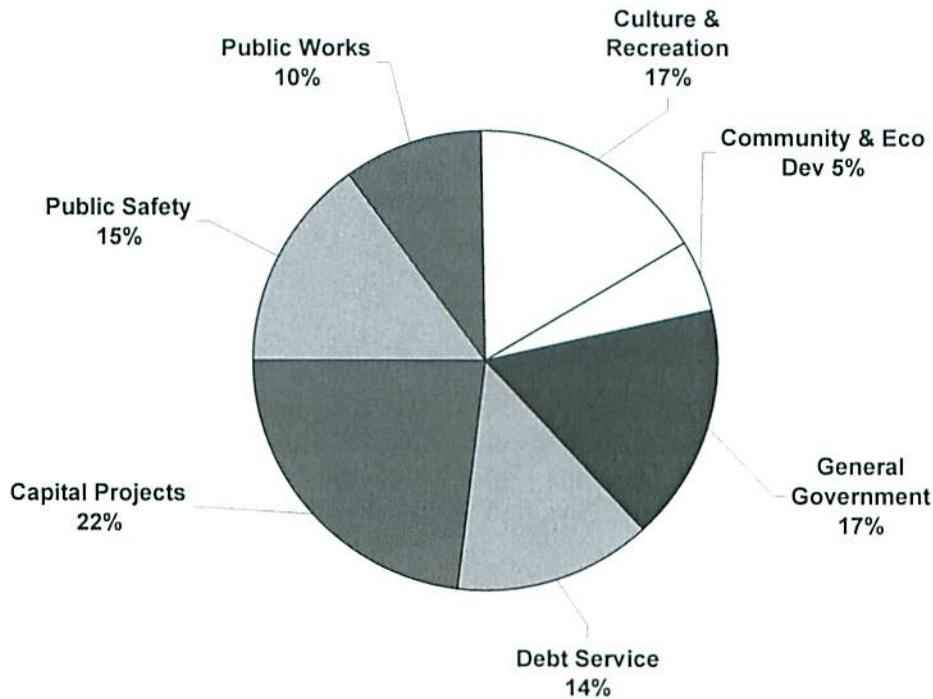


The City's total receipts for governmental activities decreased by \$146,156 from the previous year. The total cost of all programs decreased by \$2,019 with no new programs added during the year.

The City increased the property tax rates for 2008 by 2.65%. The increase was due primarily to the increase in liability insurance and employee benefits. There was no increase in the general government levy of \$8.10 per \$1,000 of assessed taxable valuation. The overall increase in levy proceeds is also due to increased total assessed valuation, even though the residential rollback rate continues to erode the primary base of property tax base in the city.

The cost of all governmental activities this year was \$4,284,807 compared to \$4,286,826 last year. The amount financed by property taxpayers was \$1,109,498. The remainder was financed by charges for services for those directly benefiting from the programs (\$286,730) or by other governments or organizations that subsidized certain programs with grants, contributions, and restricted interest (\$2,021,883) as well as other general receipts.

Government Activities, Disbursement by Function



STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

BUSINESS TYPE ACTIVITIES

	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Receipts:		
Program receipts:		
Charges for service	\$7,119,070	\$7,039,056
Operating grants, contributions and restricted interest	44,978	86,569
General receipts:		
Unrestricted investment earnings	121,802	189,583
Rent and lease income	9,994	13,653
Miscellaneous	<u>51,110</u>	<u>59,521</u>
Total receipts	<u>7,346,954</u>	<u>7,415,436</u>
Disbursements and transfers:		
Electric	4,073,648	3,666,921
Water	432,324	626,693
Gas	1,984,110	1,828,717
Wastewater	672,868	802,509
Communications	2,538	1,095
Airport	166,007	74,542
Garbage	338,484	428,131
Cemetery	<u>45,461</u>	<u>47,432</u>
Total disbursements	7,715,438	7,476,040
Interfund loans net	(30,315)	(77,352)
Transfers, net	<u>222,434</u>	<u>224,683</u>
Total disbursements and transfers	<u>7,907,557</u>	<u>7,623,371</u>
 Change in Cash Basis Net Assets	 (560,603)	 (207,935)
Cash Basis Net Assets, Beginning of Year	<u>3,883,289</u>	<u>4,091,224</u>
 Cash Basis Net Assets, End of Year	 <u>\$3,322,686</u>	 <u>\$3,883,289</u>

Total business type activities receipts for the fiscal year were \$7,346,954 compared to \$7,415,436 last year. This change was due primarily to the worsening investment environment which caused a drop in investment earnings. Total disbursements and transfers for the fiscal year were \$7,907,557 compared to \$7,623,371 last year. The higher level of disbursements were due to increases in energy and supply costs.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed this year, its governmental funds reported a combined fund balance of \$956,198, a decrease over last year's total of \$1,822,894. The following are the major reasons for the changes of fund balances of the governmental funds from the prior year.

1. The General Fund cash balance decreases are largely due to the renovation of the Tipton Public Library, purchase of additional ground in the Tipton Business Park and the Downtown Sidewalk/Streetscape Project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time which resulted in an increase in budgeted disbursements of \$776,870 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

On June 30, 2008, the City had \$5,689,000 in bonds and other long-term debt, compared to \$6,749,103 at the beginning of the year.

Outstanding debt at June 30, 2008, and 2007

	<u>2008</u>	<u>2007</u>
General Obligation Notes:		
Street improvements	\$ -	\$ 85,000
Street improvements	<u>805,000</u>	<u>950,000</u>
Total	<u>805,000</u>	<u>1,035,000</u>
Revenue Bonds:		
Sewer revenue	2,639,000	2,766,000
Revenue Notes:		
Electric revenue	415,000	815,000
Water revenue	<u>1,305,000</u>	<u>1,305,000</u>
Total	<u>4,359,000</u>	<u>4,886,000</u>
Anticipatory obligation notes:		
FAC anticipatory note	<u>525,000</u>	<u>825,000</u>
Capital Lease Obligation:		
Copier and related equipment	<u>-</u>	<u>3,103</u>
Total indebtedness	<u>\$ 5,689,000</u>	<u>\$ 6,749,103</u>

Debt decreased as a result of the regular debt service requirements and the retirement of a \$555,000 GO Bond for street improvements. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$805,000 is well below the constitutional debt limit and although it is general obligation debt, the notes are for numerous projects and are serviced by road use tax revenue or water revenue.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenues

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

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

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

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

Market Impacts on Investment Income - due to varying maturities on the City's investments and the varying nature of the market in general, City investment income may fluctuate from year to year. However, if an effort to try and eliminate guessing the market fluctuations, the City has started to ladder certain CD investments.

Expenses

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

Increase/Decrease in Authorized Personnel - changes in service demand may cause the Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 12% of the City's total budget and 53% of the General Fund budget.

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

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

Future factors & Budget

Tipton's elected and appointed officials considered the above factors when establishing the FY 2008 budget, tax rates, and fees that will be charged for various City activities. The City and surrounding county has seen an increase in the last year in the unemployment rate which also is slightly above the state average (4.5% versus 4.4%), however, the median household income still remains above the state average of \$42,198 versus \$39,469 which is unchanged from last year.

Inflation in the State on average continues to be somewhat lower than the national Consumer Price Index increase. However, this year's increase both statewide and nationally was higher than in most years. Locally, somewhat stable housing and energy prices have helped keep the index low as it compares nationally. Energy prices are, however, predicted to show a steady rise, especially in electric purchases.

These indicators were taken into account when adopting the budget for FY 2009.

Revenues, 2008-2009

The City's property tax grew based on a 5.8% taxable value increase. The City's Regular General Levy remains at \$8.10/\$1,000 of assessed value while debt service permissible levies decreased from a proposed \$1.04624/\$1,000 to \$0.53501 of assessed value because of the local option sales and service tax. Overall tax-based revenues are expected to show a modest increase of \$65,188 to \$934,866.

A 1% annual increase in electric rates will take effect in May 2009. The City has modified its natural gas rates and the procedure by which commodity price adjustments are included in billings to customers. The City will propose to modify the natural gas rates again within this next fiscal year and establish a flat rate like both the electric and water and wastewater utilities.

Expenses, 2008-2009

No new programs are planned for the coming year. The City continues to reap the benefits of hiring a Community Development Director. A portion of the position is funded by the revenue from the 1% Local Option Sales and Service Tax. The Tipton Chamber of Commerce and the Tipton Economic Development Corporation also continue to financially support the position.

Expenses Anticipated, 2008 +

The City continues with its plans to construct a new fire station. The Fire Station Project will be a voted referendum general obligation issue and is scheduled for a third Special Election although the specific date has not been set yet. The firm of Solum Lang Architects continues to work with both the Fire Department and the City to design the facility.

The City still faces proportional costs based upon its .5% ownership of the Louisa Generation Station (LGS) for installation of emissions controls. Tipton's share is estimated to be over \$750,000. Tipton's expense began in FY 2007-2008.

The City is still considering additional standby generation especially after the ice storm in February 2008 and the minor ice storm in December 2008. The City currently owns four mega-watt of dual-fuel (natural gas/diesel) generation dedicated to the wholesale energy supplier, Resale Power Group of Iowa (RPGI). Investigation is underway into whether the addition of two mega-watt of diesel generation for peak-shaving only would provide sufficient demand capacity cost reduction to justify an estimated \$800,000 total expenditure. However, in the event of another major outage, having the additional two mega-watt of capacity would also make it much easier for the City to carry the electrical load of the town. The City did, however, install an additional fuel tank for the current engines in FY 2008-2009 which gives the City the capacity needed if additional engines were to be added.

International Transmission Company (ITC), which purchased Alliant Energy's transmission lines, continues to indicate they plan to upgrade the current 34.5 KV electric transmission lines serving Tipton to 69 KV. Even though no definite timeframe has been established yet, ITC has given a rough timeframe estimate of May 2010. The City continues to be in contact with ITC and hope that an accurate timeframe for the upgrade comes soon. When this project does occur, the City anticipates a revenue bond issuance.

Expenditures related to personnel costs and associated benefits continue to increase as a direct result of the increased cost of health insurance coverage. Although the City is an aggressive participant in partial self-funded health coverage, we have nonetheless faced premium cost increases around 12 -14% annually with no expectation that this will not continue in the short run.

CONTACT INFORMATION

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

Respectfully submitted,

Doug Boldt
City Manager

BASIC FINANCIAL STATEMENTS

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 638,724	\$ 175,140	\$ 58,996	\$ -
Public works	415,650	1,202	292,066	-
Culture and recreation	724,830	106,481	55,544	-
Community and economic development	206,325	-	3,962	-
General government	716,081	3,907	6,645	312,877
Debt service	600,297	-	-	-
Capital projects	982,900	-	234,544	-
Total governmental activities	<u>4,284,807</u>	<u>286,730</u>	<u>651,757</u>	<u>312,877</u>
Business type activities:				
Electric	4,073,648	3,819,123	26,233	-
Water	432,324	495,745	1,497	-
Gas	1,984,110	1,959,838	8,014	-
Wastewater	672,868	463,466	871	-
Communications	2,536	-	-	-
Airport	166,007	34,186	4,591	-
Garbage	338,484	328,892	2,344	-
Cemetery	45,461	17,820	1,428	-
Total business type activities	<u>7,715,438</u>	<u>7,119,070</u>	<u>44,978</u>	<u>-</u>
Total	<u>\$ 12,000,245</u>	<u>\$ 7,405,800</u>	<u>\$ 696,735</u>	<u>\$ 312,877</u>

GENERAL RECEIPTS:

- Property taxes levied for:
 - General purposes
 - Employee benefits
 - Tax increment financing
 - Debt service
- Other city tax
- Local option sales tax
- Unrestricted interest on investments
- Rent and lease income
- Special assessments
- Miscellaneous

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

Governmental Activities	Business Type Activities	Total
\$ (404,588)	\$ -	\$ (404,588)
(122,382)	-	(122,382)
(562,805)	-	(562,805)
(202,363)	-	(202,363)
(392,652)	-	(392,652)
(600,297)	-	(600,297)
<u>(748,356)</u>	<u>-</u>	<u>(748,356)</u>
<u>(3,033,443)</u>	<u>-</u>	<u>(3,033,443)</u>
-	(228,292)	(228,292)
-	64,918	64,918
-	(16,258)	(16,258)
-	(208,531)	(208,531)
-	(2,536)	(2,536)
-	(127,230)	(127,230)
-	(7,248)	(7,248)
<u>-</u>	<u>(26,213)</u>	<u>(26,213)</u>
<u>-</u>	<u>(551,390)</u>	<u>(551,390)</u>
<u>(3,033,443)</u>	<u>(551,390)</u>	<u>(3,584,833)</u>
675,074	-	675,074
173,587	-	173,587
217,895	-	217,895
42,942	-	42,942
6,094	-	6,094
248,645	-	248,645
73,677	121,802	195,479
214,259	9,994	224,253
33,504	-	33,504
288,951	51,110	340,061

(continued)

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2008

	<u>Program Receipts</u>		
	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
<u>Disbursements</u>	<u>Services</u>	<u>Grants,</u>	<u>Grants,</u>
		<u>Contributions,</u>	<u>Contributions,</u>
		<u>and Restricted</u>	<u>and Restricted</u>
		<u>Interest</u>	<u>Interest</u>
Interfund loan proceeds			
Transfers in			
Interfund loan advances			
Transfers out			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS, BEGINNING OF THE YEAR			
CASH BASIS NET ASSETS, END OF THE YEAR			
CASH BASIS NET ASSETS:			
Reserved:			
Deposits			
Debt service			
Other purposes			
Unreserved			
TOTAL CASH BASIS NET ASSETS			

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
70,664	30,315	100,979
954,114	1,200,348	2,154,462
(100,979)	-	(100,979)
<u>(731,680)</u>	<u>(1,422,782)</u>	<u>(2,154,462)</u>
<u>2,166,747</u>	<u>(9,213)</u>	<u>2,157,534</u>
(866,696)	(560,603)	(1,427,299)
<u>1,822,894</u>	<u>3,883,289</u>	<u>5,706,183</u>
<u>\$ 956,198</u>	<u>\$ 3,322,686</u>	<u>\$ 4,278,884</u>
\$ -	\$ 28,770	\$ 28,770
9,339	1,698,141	1,707,480
225,118	792,259	1,017,377
<u>721,741</u>	<u>803,516</u>	<u>1,525,257</u>
<u>\$ 956,198</u>	<u>\$ 3,322,686</u>	<u>\$ 4,278,884</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TIPTON

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

As of and for the year ended June 30, 2008

	Special Revenue		
	General	Road Use Taxes	CDBG Funds
RECEIPTS:			
Property tax	\$ 675,074	\$ -	\$ -
Tax increment financing collections	-	-	-
Other city tax	6,094	-	-
Licenses and permits	2,382	-	-
Use of money and property	20,157	-	7,358
Intergovernmental	39,992	270,297	312,877
Charges for services	270,917	-	-
Special assessments	21,425	-	-
Miscellaneous	102,624	-	-
Total receipts	<u>1,138,665</u>	<u>270,297</u>	<u>320,235</u>
DISBURSEMENTS:			
Operating:			
Public safety	638,724	-	-
Public works	415,650	-	-
Culture and recreation	698,369	-	-
Community and economic development	70,292	-	-
General government	166,195	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,989,230</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(850,565)</u>	<u>270,297</u>	<u>320,235</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	711,019	-	-
Interfund loan advances	-	-	-
Operating transfers out	<u>(33,082)</u>	<u>(178,116)</u>	<u>(150,000)</u>
Net other financing sources (uses)	<u>677,937</u>	<u>(178,116)</u>	<u>(150,000)</u>

<u>Capital Projects</u>			
<u>Aquatic Center Project</u>	<u>Street- scapes Project</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ 216,529	\$ 891,603
-	-	217,895	217,895
-	-	248,645	254,739
-	-	-	2,382
-	-	28,138	55,653
-	-	-	623,166
-	-	630	271,547
-	-	51,341	72,766
-	-	283,701	386,325
<u>-</u>	<u>-</u>	<u>1,046,879</u>	<u>2,776,076</u>
-	-	-	638,724
-	-	-	415,650
-	-	26,461	724,830
-	-	136,033	206,325
-	-	87,106	253,301
-	-	600,297	600,297
<u>113,947</u>	<u>552,954</u>	<u>315,999</u>	<u>982,900</u>
<u>113,947</u>	<u>552,954</u>	<u>1,165,896</u>	<u>3,822,027</u>
<u>(113,947)</u>	<u>(552,954)</u>	<u>(119,017)</u>	<u>(1,045,951)</u>
-	-	241,194	952,213
-	-	(30,315)	(30,315)
<u>-</u>	<u>-</u>	<u>(348,235)</u>	<u>(709,433)</u>
<u>-</u>	<u>-</u>	<u>(137,356)</u>	<u>212,465</u>

(continued)

CITY OF TIPTON

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

As of and for the year ended June 30, 2008

	Special Revenue		
	General	Road Use Taxes	CDBG Funds
NET CHANGE IN CASH BALANCE	(172,628)	92,181	170,235
CASH BALANCE, BEGINNING OF YEAR	<u>(4,536)</u>	<u>325,882</u>	<u>364,681</u>
CASH BALANCE, END OF YEAR	<u>\$ (177,164)</u>	<u>\$ 418,063</u>	<u>\$ 534,916</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General	(177,164)	-	-
Special revenue funds	-	418,063	534,916
Permanent	-	-	-
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ (177,164)</u>	<u>\$ 418,063</u>	<u>\$ 534,916</u>

<u>Capital Projects</u>			
<u>Aquatic Center Project</u>	<u>Street- scapes Project</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Totals</u>
(113,947)	(552,954)	(256,373)	(833,486)
<u>(373,185)</u>	<u>-</u>	<u>1,354,444</u>	<u>1,667,286</u>
<u>\$ (487,132)</u>	<u>\$ (552,954)</u>	<u>\$ 1,098,071</u>	<u>\$ 833,800</u>
\$ -	\$ -	\$ 9,339	\$ 9,339
-	-	-	(177,164)
-	-	856,910	1,809,889
-	-	102,720	102,720
<u>(487,132)</u>	<u>(552,954)</u>	<u>129,102</u>	<u>(910,984)</u>
<u>\$ (487,132)</u>	<u>\$ (552,954)</u>	<u>\$ 1,098,071</u>	<u>\$ 833,800</u>

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

As of and for the year ended June 30, 2008

Total governmental funds cash balances \$ 833,800

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

The Internal Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost reimbursement basis. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

122,398

Cash basis net assets of governmental activities \$ 956,198

Net change in cash balances \$ (833,486)

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

The Internal Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost reimbursement basis. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

(33,210)

Change in cash basis net assets of governmental activities \$ (866,696)

The accompanying notes are an integral part of the financial statements.

CITY OF TIPTON

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

As of and for the year ended June 30, 2008

	Electric Operating	Electric Bond	Gas Operating	Gas Surplus	Water Tower Project	Total Nonmajor Proprietary Funds	Totals	Internal Service Funds
OPERATING RECEIPTS:								
Licenses and permits	\$ 526	\$ -	\$ 87	\$ -	\$ -	\$ 300	\$ 913	\$ -
Intergovernmental	12,955	-	-	-	-	1,416	14,371	-
Charges for services	3,802,626	-	1,959,751	-	-	1,341,755	7,104,132	-
Miscellaneous	30,760	-	8,120	-	-	56,862	95,742	217,633
Total operating receipts	<u>3,846,867</u>	<u>-</u>	<u>1,967,958</u>	<u>-</u>	<u>-</u>	<u>1,400,333</u>	<u>7,215,158</u>	<u>217,633</u>
OPERATING DISBURSEMENTS:								
General government	-	-	-	-	-	-	-	462,780
Business type activities:								
Electric	3,535,658	-	-	-	-	56,917	3,592,575	-
Water	-	-	-	-	-	368,051	368,051	-
Gas	-	-	1,973,481	-	-	10,629	1,984,110	-
Wastewater	-	-	-	-	-	224,104	224,104	-
Communications	-	-	-	-	-	2,536	2,536	-
Airport	-	-	-	-	-	166,007	166,007	-
Garbage	-	-	-	-	-	338,484	338,484	-
Cemetery	-	-	-	-	-	45,461	45,461	-
Total operating disbursements	<u>3,535,658</u>	<u>-</u>	<u>1,973,481</u>	<u>-</u>	<u>-</u>	<u>1,212,189</u>	<u>6,721,328</u>	<u>462,780</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>311,209</u>	<u>-</u>	<u>(5,523)</u>	<u>-</u>	<u>-</u>	<u>188,144</u>	<u>493,830</u>	<u>(245,147)</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):								
Interest on investments	47,749	17,732	61	19,458	-	46,796	131,796	23,131
Rents	-	-	-	-	-	-	-	209,152
Debt service	-	-	-	-	-	(700,906)	(700,906)	-
Capital projects	-	-	-	-	(238,784)	(54,420)	(293,204)	-
Net nonoperating receipts (disbursements)	<u>47,749</u>	<u>17,732</u>	<u>61</u>	<u>19,458</u>	<u>(238,784)</u>	<u>(708,530)</u>	<u>(862,314)</u>	<u>232,283</u>
Excess (deficiency) of receipts over (under) disbursements	<u>358,958</u>	<u>17,732</u>	<u>(5,462)</u>	<u>19,458</u>	<u>(238,784)</u>	<u>(520,386)</u>	<u>(368,484)</u>	<u>(12,864)</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers in	36,662	-	472	-	150,000	1,013,214	1,200,348	1,901
Interfund loan proceeds	-	30,315	-	-	-	-	30,315	70,664
Sale of fixed assets	-	-	-	-	-	-	-	-
Interfund loan advances	-	-	-	-	-	-	-	(70,664)
Operating transfers out	(958,570)	-	-	-	-	(464,212)	(1,422,782)	(22,247)
Net other financing sources (uses)	<u>(921,908)</u>	<u>30,315</u>	<u>472</u>	<u>-</u>	<u>150,000</u>	<u>549,002</u>	<u>(192,119)</u>	<u>(20,346)</u>

	<u>Electric Operating</u>	<u>Electric Bond</u>	<u>Gas Operating</u>	<u>Gas Surplus</u>	<u>Water Tower Project</u>	<u>Total Nonmajor Proprietary Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
NET CHANGE IN CASH BALANCE	(562,950)	48,047	(4,990)	19,458	(88,784)	28,616	(560,603)	(33,210)
CASH BALANCE, BEGINNING OF YEAR	<u>1,656,035</u>	<u>483,976</u>	<u>(929)</u>	<u>440,086</u>	<u>(470,735)</u>	<u>1,774,856</u>	<u>3,883,289</u>	<u>155,608</u>
CASH BALANCE, END OF YEAR	<u>\$ 1,093,085</u>	<u>\$ 532,023</u>	<u>\$ (5,919)</u>	<u>\$ 459,544</u>	<u>\$ (559,519)</u>	<u>\$ 1,803,472</u>	<u>\$ 3,322,686</u>	<u>\$ 122,398</u>
CASH BASIS FUND BALANCE:								
Reserved:								
Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,770	\$ 28,770	\$ -
Debt service	-	532,023	-	-	-	1,166,118	1,698,141	-
Other purposes	-	-	-	459,544	-	332,715	792,259	122,398
Unreserved	<u>1,093,085</u>	<u>-</u>	<u>(5,919)</u>	<u>-</u>	<u>(559,519)</u>	<u>275,869</u>	<u>803,516</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 1,093,085</u>	<u>\$ 532,023</u>	<u>\$ (5,919)</u>	<u>\$ 459,544</u>	<u>\$ (559,519)</u>	<u>\$ 1,803,472</u>	<u>\$ 3,322,686</u>	<u>\$ 122,398</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Tipton is a political subdivision of the State of Iowa located in Cedar County. It was first incorporated in 1840 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Manager-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. City also provides utility service to the citizens of Tipton including electricity, water, solid waste, sewer and gas.

A. Reporting Entity

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

Jointly Governed Organizations

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

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

B. Basis of Presentation

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

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

B. Basis of Presentation (continued)

Government-wide Financial Statements (continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Taxes Fund is used to account for road construction and maintenance.

The CDBG Fund is used to account for the proceeds of the Community Development Block Grant.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

Capital Projects:

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

The Streetscapes Project Fund is used to account for the Streetscapes improvement project.

The City reports the following major proprietary funds:

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

The Electric Bond Fund accounts for the payment of debt obligations of the electric department.

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

The Gas Surplus Fund accounts for the surplus monies available for the building of a gas infrastructure.

The Water Tower Project Fund is used to account for the water tower project.

C. Measurement Focus and Basis of Accounting

The City of Tipton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, or accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2006, to compute the amounts which became liens on property on July 1, 2007. These taxes were due and payable in two installments on September 30, 2007 and March 31, 2008, at the Cedar County Treasurer's Offices. These taxes are recognized as income to the City when they are received from the county.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) **Bonds and Notes Payable**

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

	<u>General Obligation Bonds and Notes</u>		<u>Revenue and Anticipatory Bonds and Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 150,000	\$ 28,611	\$ 926,000	\$ 171,238	\$1,076,000	\$ 199,849
2010	155,000	23,886	495,000	142,630	650,000	166,516
2011	160,000	18,694	254,000	123,544	414,000	142,238
2012	165,000	13,013	263,000	113,938	428,000	126,951

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(3) **Bonds and Notes Payable** (continued)

	<u>General Obligation Bonds and Notes</u>		<u>Revenue and Anticipatory Bonds and Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	175,000	6,825	272,000	103,796	447,000	110,621
2014	-	-	282,000	93,105	282,000	93,105
2015	-	-	296,000	81,725	296,000	81,725
2016	-	-	306,000	69,705	306,000	69,705
2017	-	-	321,000	56,998	321,000	56,998
2018	-	-	331,000	43,590	331,000	43,590
2019	-	-	176,000	34,140	176,000	34,140
2020	-	-	181,000	28,860	181,000	28,860
2021	-	-	187,000	23,430	187,000	23,430
2022	-	-	192,000	17,820	192,000	17,820
2023	-	-	198,000	12,060	198,000	12,060
2024	-	-	204,000	6,120	204,000	6,120
	<u>\$ 805,000</u>	<u>\$ 91,029</u>	<u>\$4,884,000</u>	<u>\$1,122,698</u>	<u>\$5,689,000</u>	<u>\$1,213,727</u>

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

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

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

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,305,000 in water revenue notes issued in July 2002. Proceeds from the notes provided financing for the construction of water projects. The notes are payable solely from water customer net receipts and are payable through 2018. Annual principal and interest payments on the notes are expected to require less than 40 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,665,211. For the current year, principal and interest paid and total customer net receipts were \$64,272 and \$495,445, respectively.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(3) Bonds and Notes Payable (continued)

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

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

At June 30, 2008, the City was in compliance with all the provisions above.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,200,000 in sewer revenue notes issued in June 2003. Proceeds from the notes provided financing for the construction of sewer projects. The notes are payable solely from sewer customer net receipts and are payable through 2029. Annual principal and interest payments on the notes are expected to require less than 50 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$3,361,460. For the current year, principal and interest paid and total customer net receipts were \$209,980 and \$463,466, respectively.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$2,265,000 in electric revenue notes issued in November 1998. Proceeds from the notes provided financing for the construction of electric projects. The notes are payable solely from electric customer net receipts and are payable through 2009. Annual principal and interest payments on the notes are expected to require less than 15 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$424,026. For the current year, principal and interest paid and total customer net receipts were \$426,653 and \$3,802,626, respectively.

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

	Transfers In							Totals
	General	Nonmajor Govern- mental Funds	Electric	Gas	Water Tower Project	Nonmajor Enterprise Funds	Internal Service Funds	
Transfers Out:								
General	\$ -	\$ 16,500	\$ -	\$ -	\$ -	\$ 16,582	\$ -	\$ 33,082
CDBG	-	-	-	-	150,000	-	-	150,000
RUT	-	178,116	-	-	-	-	-	178,116
Nonmajor:								
Special revenue	271,071	24,331	17,833	-	-	35,000	-	348,235
Electric operating	312,349	-	18,829	472	-	626,920	-	958,570
Nonmajor:								
Enterprise	127,599	-	-	-	-	334,712	1,901	464,212
Internal service funds	-	22,247	-	-	-	-	-	22,247
	<u>\$ 711,019</u>	<u>\$ 241,194</u>	<u>\$ 36,662</u>	<u>\$ 472</u>	<u>\$ 150,000</u>	<u>\$ 1,013,214</u>	<u>\$ 1,901</u>	<u>\$ 2,154,462</u>

Transfers are used to move resources from the fund that will be providing the resources to the fund in which certain expenditures/expenses are being accounted for. Transfers are generally used to fund the cost of administration, debt service or capital projects.

(5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$88,275, \$84,908 and \$76,525, respectively, equal to the required contributions for each year.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(6) Health Insurance

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

	Out of Pocket Limits Per Calendar Year	
	Single	Family
Employee	\$ 500	\$ 1,000
City	\$ 1,500	\$ 3,000

The City has established an internal service fund to account for and pay its share of this partial self-funding. As of June 30, 2008, there are unpaid claims for which the City is partially liable under the partial self-funding provision of the health insurance plan. This liability has not been determined. The balance on hand at the end of the year with the third party provider was \$11,652.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on their length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 960 hours. Vacation is payable when used and is accumulated to a maximum of 240 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2008 is \$78,946. This liability has been computed based on rates of pay in effect at June 30, 2008, and primarily relates to the General Fund.

(8) Risk Management

The City of Tipton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Construction Project Commitments

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

As of June 30, 2008, the City of Tipton has various outstanding construction contracts totaling \$1,013,170.

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(10) Deficit Fund Balances

The following funds had deficit balances at June 30, 2008:

General Fund	\$ (177,164)
Special Revenue:	
Aquatic Campaign	(70,860)
Capital Projects:	
Aquatic Center Project	(487,132)
Streetscapes Project	(552,954)
Enterprise:	
Gas	(5,919)
Water Tower Project	(559,519)
69 KV Substation Project	(54,420)
Airport	(96,531)
Cemetary	(22,249)
Internal Service:	
Central Garage	(74,484)
PSF Health Insurance	(1,100)
Payroll Account	(24)

The deficits occurred for various reasons including project costs happening prior to availability of funds.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TIPTON

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

Year Ended June 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 891,603	\$ -	\$ 891,603
Tax increment financing	217,895	-	217,895
Other city tax	254,739	-	254,739
Licenses and permits	2,382	913	3,295
Use of money and property	55,653	131,796	187,449
Intergovernmental	623,166	14,371	637,537
Charges for services	271,547	7,104,132	7,375,679
Special assessments	72,766	-	72,766
Miscellaneous	386,325	95,742	482,067
	<u>2,776,076</u>	<u>7,346,954</u>	<u>10,123,030</u>
Total receipts			
DISBURSEMENTS:			
Public safety	638,724	-	638,724
Public works	415,650	-	415,650
Culture and recreation	724,830	-	724,830
Community and economic development	206,325	-	206,325
General government	253,301	-	253,301
Debt service	600,297	700,906	1,301,203
Capital projects	982,900	293,204	1,276,104
Business type activities	-	6,721,328	6,721,328
	<u>3,822,027</u>	<u>7,715,438</u>	<u>11,537,465</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	(1,045,951)	(368,484)	(1,414,435)
OTHER FINANCING SOURCES (USES)			
	<u>212,465</u>	<u>(192,119)</u>	<u>20,346</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(833,486)	(560,603)	(1,394,089)
BALANCES BEGINNING OF YEAR	<u>1,667,286</u>	<u>3,883,289</u>	<u>5,550,575</u>
BALANCES END OF YEAR	<u>\$ 833,800</u>	<u>\$ 3,322,686</u>	<u>\$ 4,156,486</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
\$ 869,678	\$ 869,678	\$ 21,925
214,076	214,076	3,819
257,235	257,235	(2,496)
4,860	4,860	(1,565)
465,483	1,219,339	(1,031,890)
561,455	561,455	76,082
8,289,681	8,281,131	(905,452)
-	-	72,766
<u>905,284</u>	<u>936,848</u>	<u>(454,781)</u>
<u>11,567,752</u>	<u>12,344,622</u>	<u>(2,221,592)</u>
728,822	753,722	114,998
492,234	520,358	104,708
659,436	775,091	50,261
83,919	228,997	22,672
474,778	482,974	229,673
1,535,562	1,540,562	239,359
2,515,903	2,515,903	1,239,799
<u>7,425,098</u>	<u>7,875,015</u>	<u>1,153,687</u>
<u>13,915,752</u>	<u>14,692,622</u>	<u>3,155,157</u>
(2,348,000)	(2,348,000)	933,565
<u>2,348,000</u>	<u>2,348,000</u>	<u>(2,327,654)</u>
-	-	(1,394,089)
<u>6,837,263</u>	<u>6,837,263</u>	<u>-</u>
<u>\$ 6,837,263</u>	<u>\$ 6,837,263</u>	<u>\$ (1,394,089)</u>

CITY OF TIPTON

**Notes to Required Supplementary Information-
Budgetary Reporting**

June 30, 2008

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$776,870 and disbursements by \$776,870. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Combining Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
RECEIPTS:					
Property tax	\$ 173,587	\$ 42,942	\$ -	\$ -	\$ 216,529
Tax increment financing collections	217,895	-	-	-	217,895
Other city tax	248,645	-	-	-	248,645
Use of money and property	22,581	932	4,625	-	28,138
Charges for services	-	-	-	630	630
Special assessment	51,341	-	-	-	51,341
Miscellaneous	283,701	-	-	-	283,701
	<u>997,750</u>	<u>43,874</u>	<u>4,625</u>	<u>630</u>	<u>1,046,879</u>
Total receipts					
DISBURSEMENTS:					
Operating:					
Culture and recreation	26,461	-	-	-	26,461
Community and economic development	136,033	-	-	-	136,033
General government	87,106	-	-	-	87,106
Debt service	333,000	267,297	-	-	600,297
Capital Projects	(6,469)	-	322,468	-	315,999
	<u>576,131</u>	<u>267,297</u>	<u>322,468</u>	<u>-</u>	<u>1,165,896</u>
Total disbursements					
Excess (deficiency) of receipts over (under) disbursements	<u>421,619</u>	<u>(223,423)</u>	<u>(317,843)</u>	<u>630</u>	<u>(119,017)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	16,500	224,694	-	-	241,194
Interfund loan advances	(30,315)	-	-	-	(30,315)
Operating transfers out	(348,235)	-	-	-	(348,235)
	<u>(362,050)</u>	<u>224,694</u>	<u>-</u>	<u>-</u>	<u>(137,356)</u>
Net other financing sources (uses)					

Schedule 1

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
NET CHANGE IN CASH BALANCE	59,569	1,271	(317,843)	630	(256,373)
CASH BALANCE, BEGINNING OF YEAR	<u>797,341</u>	<u>8,068</u>	<u>446,945</u>	<u>102,090</u>	<u>1,354,444</u>
CASH BALANCE, END OF YEAR	<u>\$ 856,910</u>	<u>\$ 9,339</u>	<u>\$ 129,102</u>	<u>\$ 102,720</u>	<u>\$ 1,098,071</u>
CASH BASIS FUND BALANCE:					
Reserved:					
Debt service	\$ -	\$ 9,339	\$ -	\$ -	\$ 9,339
Unreserved:					
Special revenue funds	856,910	-	-	-	856,910
Permanent	-	-	-	102,720	102,720
Capital project funds	<u>-</u>	<u>-</u>	<u>129,102</u>	<u>-</u>	<u>129,102</u>
Total cash basis fund balance	<u>\$ 856,910</u>	<u>\$ 9,339</u>	<u>\$ 129,102</u>	<u>\$ 102,720</u>	<u>\$ 1,098,071</u>

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds - Special Revenue

As of and for the year ended June 30, 2008

	<u>Trust and Agency</u>	<u>Local Option Tax</u>	<u>TIF Capital Improvement</u>	<u>Economic/Industrial Development</u>	<u>Aquatic Campaign</u>
RECEIPTS:					
Property tax	\$ 173,587	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	217,895	-	-
Other city tax	-	248,645	-	-	-
Use of money and property	775	267	4,559	873	396
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	44,664	234,544
Total receipts	<u>174,362</u>	<u>248,912</u>	<u>222,454</u>	<u>45,537</u>	<u>234,940</u>
DISBURSEMENTS:					
Operating:					
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	136,033	-
General government	-	10,357	76,249	-	-
Debt Service	-	-	-	-	333,000
Capital projects	-	-	(6,669)	-	200
Total disbursements	<u>-</u>	<u>10,357</u>	<u>69,580</u>	<u>136,033</u>	<u>333,200</u>
Excess (deficiency) of receipts over (under) disbursements	<u>174,362</u>	<u>238,555</u>	<u>152,874</u>	<u>(90,496)</u>	<u>(98,260)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Interfund loan advances	-	-	-	-	-
Operating transfers out	<u>(171,195)</u>	<u>(142,040)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(171,195)</u>	<u>(142,040)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	3,167	96,515	117,874	(90,496)	(98,260)
CASH BALANCE, BEGINNING OF YEAR	<u>12,069</u>	<u>-</u>	<u>189,405</u>	<u>169,393</u>	<u>27,400</u>
CASH BALANCE, END OF YEAR	<u>\$ 15,236</u>	<u>\$ 96,515</u>	<u>\$ 307,279</u>	<u>\$ 78,897</u>	<u>\$ (70,860)</u>
CASH BASIS FUND BALANCE:					
Unreserved:					
Special revenue funds	<u>\$ 15,236</u>	<u>\$ 96,515</u>	<u>\$ 307,279</u>	<u>\$ 78,897</u>	<u>\$ (70,860)</u>

Schedule 2

<u>Unemploy- ment Trust</u>	<u>Library Trust</u>	<u>PS Share Trust</u>	<u>Ambulance Trust</u>	<u>Fire Trust</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,587
-	-	-	-	-	217,895
-	-	-	-	-	248,645
3,339	2,371	29	9,847	125	22,581
-	-	-	6,017	45,324	51,341
-	1,068	1,134	2,291	-	283,701
<u>3,339</u>	<u>3,439</u>	<u>1,163</u>	<u>18,155</u>	<u>45,449</u>	<u>997,750</u>
-	26,461	-	-	-	26,461
-	-	-	-	-	136,033
-	-	500	-	-	87,106
-	-	-	-	-	333,000
-	-	-	-	-	(6,469)
-	<u>26,461</u>	<u>500</u>	-	-	<u>576,131</u>
<u>3,339</u>	<u>(23,022)</u>	<u>663</u>	<u>18,155</u>	<u>45,449</u>	<u>421,619</u>
-	-	-	16,500	-	16,500
-	-	-	-	(30,315)	(30,315)
-	-	-	-	-	(348,235)
-	-	-	<u>16,500</u>	<u>(30,315)</u>	<u>(362,050)</u>
3,339	(23,022)	663	34,655	15,134	59,569
<u>72,532</u>	<u>86,649</u>	<u>2,370</u>	<u>234,368</u>	<u>3,155</u>	<u>797,341</u>
<u>\$ 75,871</u>	<u>\$ 63,627</u>	<u>\$ 3,033</u>	<u>\$ 269,023</u>	<u>\$ 18,289</u>	<u>\$ 856,910</u>
<u>\$ 75,871</u>	<u>\$ 63,627</u>	<u>\$ 3,033</u>	<u>\$ 269,023</u>	<u>\$ 18,289</u>	<u>\$ 856,910</u>

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds - Other

As of and for the year ended June 30, 2008

	Debt Service			Capital Projects	
	GO Street Improvement Debt Service	GO Street Improvement Debt Service 03	Total Debt Service Funds	GO Street Improvement	GO Street Improvement 2003
RECEIPTS:					
Property tax	\$ 42,942	\$ -	\$ 42,942	\$ -	\$ -
Use of money and property Charges for services	349	583	932	1,676	2,949
	-	-	-	-	-
Total receipts	<u>43,291</u>	<u>583</u>	<u>43,874</u>	<u>1,676</u>	<u>2,949</u>
DISBURSEMENTS:					
Debt service	89,082	178,215	267,297	-	-
Capital projects	-	-	-	-	322,468
Total disbursements	<u>89,082</u>	<u>178,215</u>	<u>267,297</u>	<u>-</u>	<u>322,468</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(45,791)</u>	<u>(177,632)</u>	<u>(223,423)</u>	<u>1,676</u>	<u>(319,519)</u>
OTHER FINANCING SOURCES					
Operating transfers in	<u>46,578</u>	<u>178,116</u>	<u>224,694</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	787	484	1,271	1,676	(319,519)
CASH BALANCE, BEGINNING OF YEAR	<u>3,875</u>	<u>4,193</u>	<u>8,068</u>	<u>-</u>	<u>446,945</u>
CASH BALANCE, END OF YEAR	<u>\$ 4,662</u>	<u>\$ 4,677</u>	<u>\$ 9,339</u>	<u>\$ 1,676</u>	<u>\$ 127,426</u>
CASH BASIS FUND BALANCE:					
Reserved:					
Debt service	\$ 4,662	\$ 4,677	\$ 9,339	\$ -	\$ -
Unreserved:					
Cemetery	-	-	-	-	-
Capital projects	-	-	-	1,676	127,426
Total cash basis fund balance	<u>\$ 4,662</u>	<u>\$ 4,677</u>	<u>\$ 9,339</u>	<u>\$ 1,676</u>	<u>\$ 127,426</u>

<u>Total Capital Project Funds</u>	<u>Permanent Cemetery Trust</u>
\$ -	\$ -
4,625	-
<u>-</u>	<u>630</u>
4,625	630
<u>-</u>	<u>-</u>
322,468	-
<u>322,468</u>	<u>-</u>
<u>(317,843)</u>	<u>630</u>
<u>-</u>	<u>-</u>
(317,843)	630
<u>446,945</u>	<u>102,090</u>
<u>\$ 129,102</u>	<u>\$ 102,720</u>
\$ -	\$ -
-	102,720
<u>129,102</u>	<u>-</u>
<u>\$ 129,102</u>	<u>\$ 102,720</u>

CITY OF TIPTON

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

Nonmajor Proprietary Funds

As of and for the year ended June 30, 2008

	Electric	Water	Gas	Wastewater	Other	Total
OPERATING RECEIPTS:						
Licenses and permits	\$ -	\$ 300	\$ -	\$ -	\$ -	\$ 300
Intergovernmental	-	-	-	-	1,416	1,416
Charges for services	-	495,445	-	463,466	382,844	1,341,755
Miscellaneous	9,125	4,238	8,450	871	34,178	56,862
	9,125	499,983	8,450	464,337	418,438	1,400,333
Total operating receipts						
OPERATING DISBURSEMENTS:						
Business type activities:						
Electric	56,917	-	-	-	-	56,917
Water	-	368,051	-	-	-	368,051
Gas	-	-	10,629	-	-	10,629
Wastewater	-	-	-	224,104	-	224,104
Communications	-	-	-	-	2,536	2,536
Airport	-	-	-	-	166,007	166,007
Garbage	-	-	-	-	338,484	338,484
Cemetery	-	-	-	-	45,461	45,461
	56,917	368,051	10,629	224,104	552,488	1,212,189
Total operating disbursements						
Excess (deficiency) of operating receipts over (under) operating disbursements	(47,792)	131,932	(2,179)	240,233	(134,050)	188,144
NONOPERATING RECEIPTS (DISBURSEMENTS):						
Interest on investments	20,634	4,821	734	15,319	5,288	46,796
Debt service	(426,653)	(64,273)	-	(209,980)	-	(700,906)
Capital projects	(54,420)	-	-	-	-	(54,420)
	(460,439)	(59,452)	734	(194,661)	5,288	(708,530)
Net nonoperating receipts (disbursements)						
Excess (deficiency) of receipts over (under) disbursements	(508,231)	72,480	(1,445)	45,572	(128,762)	(520,386)

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Total</u>
OTHER FINANCING SOURCES						
(USES):						
Operating transfers in	558,800	195,069	-	239,630	19,715	1,013,214
Operating transfers out	<u>-</u>	<u>(174,573)</u>	<u>-</u>	<u>(272,539)</u>	<u>(17,100)</u>	<u>(464,212)</u>
Net other financing sources (uses)	<u>558,800</u>	<u>20,496</u>	<u>-</u>	<u>(32,909)</u>	<u>2,615</u>	<u>549,002</u>
NET CHANGE IN CASH BALANCE	50,569	92,976	(1,445)	12,663	(126,147)	28,616
CASH BALANCE, BEGINNING OF YEAR	<u>715,912</u>	<u>320,512</u>	<u>26,767</u>	<u>676,331</u>	<u>35,334</u>	<u>1,774,856</u>
CASH BALANCE, END OF YEAR	<u>\$ 766,481</u>	<u>\$ 413,488</u>	<u>\$ 25,322</u>	<u>\$ 688,994</u>	<u>\$ (90,813)</u>	<u>\$ 1,803,472</u>
CASH BASIS FUND BALANCE						
Reserved:						
Deposits	\$ 14,180	\$ 4,079	\$ 10,511	\$ -	\$ -	\$ 28,770
Debt service	434,397	191,882	-	539,839	-	1,166,118
Other purposes	317,904	-	14,811	-	-	332,715
Unreserved	<u>-</u>	<u>217,527</u>	<u>-</u>	<u>149,155</u>	<u>(90,813)</u>	<u>275,869</u>
Total cash basis fund balance	<u>\$ 766,481</u>	<u>\$ 413,488</u>	<u>\$ 25,322</u>	<u>\$ 688,994</u>	<u>\$ (90,813)</u>	<u>\$ 1,803,472</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2008

	Electric Revenue Bonds 98	Electric Revenue Bonds	2006 Electric Substation
OPERATING RECEIPTS:			
Miscellaneous	\$ -	\$ -	\$ -
OPERATING DISBURSEMENTS:			
Business type activities:			
Electric	400	-	-
Deficiency of operating receipts over operating disbursements	(400)	-	-
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	1,584	92	1,106
Debt service	(426,653)	-	-
Capital Projects	-	-	-
Net nonoperating receipts (disbursements)	(425,069)	92	1,106
Excess (deficiency) of receipts over (under) disbursements	(425,469)	92	1,106
OTHER FINANCING SOURCES			
Operating transfers in	433,800	-	125,000
NET CHANGE IN CASH BALANCE	8,331	92	126,106
CASH BALANCE, BEGINNING OF YEAR	249,211	-	50,657
CASH BALANCE, END OF YEAR	\$ 257,542	\$ 92	\$ 176,763
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ -	\$ -
Debt service	257,542	92	176,763
Other purposes	-	-	-
Total cash basis fund balance	\$ 257,542	\$ 92	\$ 176,763

Schedule 5

<u>69 KV Substation Project</u>	<u>Electric Development</u>	<u>Electric Renewal/ Replacement</u>	<u>Electric Reserve</u>	<u>Electric Meter Deposits</u>	<u>Totals</u>
\$ -	\$ 795	\$ -	\$ -	\$ 8,330	\$ 9,125
-	28,048	20,000	-	8,469	56,917
-	(27,253)	(20,000)	-	(139)	(47,792)
-	863	8,316	8,093	580	20,634
-	-	-	-	-	(426,653)
(54,420)	-	-	-	-	(54,420)
(54,420)	863	8,316	8,093	580	(460,439)
(54,420)	(26,390)	(11,684)	8,093	441	(508,231)
-	-	-	-	-	558,800
(54,420)	(26,390)	(11,684)	8,093	441	50,569
-	34,824	180,092	187,389	13,739	715,912
<u>\$ (54,420)</u>	<u>\$ 8,434</u>	<u>\$ 168,408</u>	<u>\$ 195,482</u>	<u>\$ 14,180</u>	<u>\$ 766,481</u>
\$ -	\$ -	\$ -	\$ -	\$ 14,180	\$ 14,180
-	-	-	-	-	434,397
(54,420)	8,434	168,408	195,482	-	317,904
<u>\$ (54,420)</u>	<u>\$ 8,434</u>	<u>\$ 168,408</u>	<u>\$ 195,482</u>	<u>\$ 14,180</u>	<u>\$ 766,481</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2008

	Water Revenue Bond Reserve	Water Operating	Water Meter Deposits	Totals
OPERATING RECEIPTS:				
Licenses and permits	\$ -	\$ 300	\$ -	\$ 300
Charges for services	-	495,445	-	495,445
Miscellaneous	-	1,548	2,690	4,238
	<u>-</u>	<u>497,293</u>	<u>2,690</u>	<u>499,983</u>
Total operating receipts	-	497,293	2,690	499,983
OPERATING DISBURSEMENTS:				
Business type activities:				
Water	300	364,535	3,216	368,051
	<u>300</u>	<u>364,535</u>	<u>3,216</u>	<u>368,051</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(300)	132,758	(526)	131,932
	<u>(300)</u>	<u>132,758</u>	<u>(526)</u>	<u>131,932</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	1,882	2,884	55	4,821
Debt service	(64,273)	-	-	(64,273)
	<u>(62,391)</u>	<u>2,884</u>	<u>55</u>	<u>(59,452)</u>
Net nonoperating receipts (disbursements)	(62,391)	2,884	55	(59,452)
Excess (deficiency) of receipts over (under) disbursements	(62,691)	135,642	(471)	72,480
	<u>(62,691)</u>	<u>135,642</u>	<u>(471)</u>	<u>72,480</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	124,573	70,496	-	195,069
Operating transfers out	-	(174,573)	-	(174,573)
	<u>124,573</u>	<u>(104,077)</u>	<u>-</u>	<u>20,496</u>
Net other financing sources (uses)	124,573	(104,077)	-	20,496
NET CHANGE IN CASH BALANCE	61,882	31,565	(471)	92,976
CASH BALANCE, BEGINNING OF YEAR	130,000	185,962	4,550	320,512
	<u>130,000</u>	<u>185,962</u>	<u>4,550</u>	<u>320,512</u>
CASH BALANCE, END OF YEAR	\$ 191,882	\$ 217,527	\$ 4,079	\$ 413,488
	<u>\$ 191,882</u>	<u>\$ 217,527</u>	<u>\$ 4,079</u>	<u>\$ 413,488</u>

Schedule 6

	<u>Water Revenue Bond Reserve</u>	<u>Water Operating</u>	<u>Water Meter Deposits</u>	<u>Totals</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Deposits	\$ -	\$ -	\$ 4,079	\$ 4,079
Debt service	191,882	-	-	191,882
Unreserved	<u>-</u>	<u>217,527</u>	<u>-</u>	<u>217,527</u>
Total cash basis fund balance	<u>\$ 191,882</u>	<u>\$ 217,527</u>	<u>\$ 4,079</u>	<u>\$ 413,488</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2008

	<u>Gas D.E.I.</u>	<u>Gas Meter Deposits</u>	<u>Totals</u>
OPERATING RECEIPTS:			
Miscellaneous	\$ -	\$ 8,450	\$ 8,450
OPERATING DISBURSEMENTS:			
Business type activities:			
Gas	<u>-</u>	<u>10,629</u>	<u>10,629</u>
Deficiency of operating receipts under operating disbursements	-	(2,179)	(2,179)
NONOPERATING RECEIPTS:			
Interest on investments	<u>591</u>	<u>143</u>	<u>734</u>
Excess (deficiency) of receipts over (under) disbursements	591	(2,036)	(1,445)
CASH BALANCE, BEGINNING OF YEAR	<u>14,220</u>	<u>12,547</u>	<u>26,767</u>
CASH BALANCE, END OF YEAR	<u>\$ 14,811</u>	<u>\$ 10,511</u>	<u>\$ 25,322</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ 10,511	\$ 10,511
Other purposes	<u>14,811</u>	<u>-</u>	<u>14,811</u>
Total cash basis fund balance	<u>\$ 14,811</u>	<u>\$ 10,511</u>	<u>\$ 25,322</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2008

	<u>Wastewater Debt Service</u>	<u>1994 Sewer/Water Debt Service</u>	<u>Wastewater Project</u>	<u>Wastewater Treatment</u>	<u>Totals</u>
OPERATING RECEIPTS:					
Charges for services	\$ -	\$ -	\$ -	\$ 463,466	\$ 463,466
Miscellaneous	-	-	-	871	871
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating receipts	-	-	-	464,337	464,337
OPERATING DISBURSEMENTS:					
Business type activities:					
Wastewater	6,915	-	-	217,189	224,104
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of operating receipts over (under) operating disbursements	(6,915)	-	-	247,148	240,233
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NONOPERATING RECEIPTS (DISBURSEMENTS):					
Interest on investments	4,106	15	2,749	8,449	15,319
Debt service	(209,980)	-	-	-	(209,980)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net nonoperating receipts (disbursements):	(205,874)	15	2,749	8,449	(194,661)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	(212,789)	15	2,749	255,597	45,572
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	222,040	-	-	17,590	239,630
Operating transfers out	-	-	-	(272,539)	(272,539)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net other financing sources (uses)	222,040	-	-	(254,949)	(32,909)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN CASH BALANCE	9,251	15	2,749	648	12,663
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
CASH BALANCE, BEGINNING OF YEAR	312,045	1,154	214,625	148,507	676,331
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
CASH BALANCE, END OF YEAR	\$ 321,296	\$ 1,169	\$ 217,374	\$ 149,155	\$ 688,994
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
CASH BASIS FUND BALANCE:					
Reserved:					
Debt service	\$ 321,296	\$ 1,169	\$ 217,374	\$ -	\$ 539,839
Unreserved	-	-	-	149,155	149,155
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash basis fund balance	\$ 321,296	\$ 1,169	\$ 217,374	\$ 149,155	\$ 688,994
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF TIPTON

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

As of and for the year ended June 30, 2008

	Communications <u>Local Access</u>	<u>Airport Operating</u>	<u>Garbage Collection</u>
OPERATING RECEIPTS:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	21,664	9,475	336,405
Miscellaneous	<u>-</u>	<u>29,302</u>	<u>2,344</u>
Total operating receipts	<u>21,664</u>	<u>38,777</u>	<u>338,749</u>
OPERATING DISBURSEMENTS:			
Business type activities:			
Communications	2,536	-	-
Airport	-	166,007	-
Garbage	-	-	338,484
Cemetery	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>2,536</u>	<u>166,007</u>	<u>338,484</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	19,128	(127,230)	265
NONOPERATING RECEIPTS:			
Interest on investments	<u>278</u>	<u>4,714</u>	<u>108</u>
Excess (deficiency) of receipts over (under) disbursements	<u>19,406</u>	<u>(122,516)</u>	<u>373</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	2,409	724
Operating transfers out	<u>(17,100)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(17,100)</u>	<u>2,409</u>	<u>724</u>
NET CHANGE IN CASH BALANCE	2,306	(120,107)	1,097
CASH BALANCE, BEGINNING OF YEAR	<u>18,251</u>	<u>23,576</u>	<u>6,313</u>
CASH BALANCE, END OF YEAR	<u>\$ 20,557</u>	<u>\$ (96,531)</u>	<u>\$ 7,410</u>
CASH BASIS FUND BALANCE:			
Unreserved	<u>\$ 20,557</u>	<u>\$ (96,531)</u>	<u>\$ 7,410</u>

Schedule 9

<u>Cemetery Enterprise</u>	<u>Totals</u>
\$ 1,416	\$ 1,416
15,300	382,844
<u>2,532</u>	<u>34,178</u>
19,248	418,438
-	2,536
-	166,007
-	338,484
<u>45,461</u>	<u>45,461</u>
45,461	552,488
(26,213)	(134,050)
<u>188</u>	<u>5,288</u>
<u>(26,025)</u>	<u>(128,762)</u>
16,582	19,715
<u>-</u>	<u>(17,100)</u>
16,582	2,615
(9,443)	(126,147)
<u>(12,806)</u>	<u>35,334</u>
<u>\$ (22,249)</u>	<u>\$ (90,813)</u>
<u>\$ (22,249)</u>	<u>\$ (90,813)</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2008

	Central Garage	PSF Health Insurance	City Reserve
OPERATING RECEIPTS:			
Miscellaneous	\$ 21,605	\$ 70,941	\$ -
OPERATING DISBURSEMENTS:			
General government	232,854	70,510	-
Excess (deficiency) of operating receipts over (under) operating disbursements	(211,249)	431	-
NONOPERATING RECEIPTS:			
Interest on investments	4,477	-	18,646
Rents	209,152	-	-
Net nonoperating receipts	213,629	-	18,646
Excess (deficiency) of receipts over (under) disbursements	2,380	431	18,646
OTHER FINANCING SOURCES (USES)			
Transfers in	1,901	-	-
Interfund loan proceeds	-	-	17,664
Transfers out	-	-	-
Interfund loan advance	-	-	(53,000)
Net other financing sources (uses)	1,901	-	(35,336)
NET CHANGE IN CASH BALANCE	4,281	431	(16,690)
CASH BALANCE, BEGINNING OF YEAR	(78,765)	(1,531)	208,790
CASH BALANCE, END OF YEAR	\$ (74,484)	\$ (1,100)	\$ 192,100
CASH BASIS FUND BALANCE:			
Reserved:			
Other purposes	\$ (74,484)	\$ (1,100)	\$ 192,100

Schedule 10

<u>Adminstrative Services</u>	<u>Payroll Account</u>	<u>Totals</u>
\$ 125,087	\$ -	\$ 217,633
<u>158,084</u>	<u>1,332</u>	<u>462,780</u>
<u>(32,997)</u>	<u>(1,332)</u>	<u>(245,147)</u>
8	-	23,131
<u>-</u>	<u>-</u>	<u>209,152</u>
<u>8</u>	<u>-</u>	<u>232,283</u>
<u>(32,989)</u>	<u>(1,332)</u>	<u>(12,864)</u>
-	-	1,901
53,000	-	70,664
-	(22,247)	(22,247)
<u>(17,664)</u>	<u>-</u>	<u>(70,664)</u>
<u>35,336</u>	<u>(22,247)</u>	<u>(20,346)</u>
2,347	(23,579)	(33,210)
<u>3,559</u>	<u>23,555</u>	<u>155,608</u>
<u>\$ 5,906</u>	<u>\$ (24)</u>	<u>\$ 122,398</u>
<u>\$ 5,906</u>	<u>\$ (24)</u>	<u>\$ 122,398</u>

CITY OF TIPTON
Schedule of Indebtedness
Year Ended June 30, 2008

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

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 85,000	\$ -	\$ 85,000	\$ -	\$ 3,782	\$ -
<u>950,000</u>	<u>-</u>	<u>145,000</u>	<u>805,000</u>	<u>32,815</u>	<u>-</u>
<u>1,035,000</u>	<u>-</u>	<u>230,000</u>	<u>805,000</u>	<u>36,597</u>	<u>-</u>
2,766,000	-	127,000	2,639,000	82,980	-
815,000	-	400,000	415,000	26,652	-
<u>1,305,000</u>	<u>-</u>	<u>-</u>	<u>1,305,000</u>	<u>64,273</u>	<u>-</u>
<u>4,886,000</u>	<u>-</u>	<u>527,000</u>	<u>4,359,000</u>	<u>173,905</u>	<u>-</u>
<u>825,000</u>	<u>-</u>	<u>300,000</u>	<u>525,000</u>	<u>33,000</u>	<u>-</u>
<u>3,103</u>	<u>-</u>	<u>3,103</u>	<u>-</u>	<u>42</u>	<u>-</u>
<u>\$6,749,103</u>	<u>\$ -</u>	<u>\$ 1,060,103</u>	<u>\$ 5,689,000</u>	<u>\$ 243,544</u>	<u>\$ -</u>

CITY OF TIPTON
Bond and Note Maturities
June 30, 2008

Year Ending June 30,	<u>General Obligation Debt</u> <u>2002 Street Improvement</u> <u>Issued May 1, 2003</u>		<u>Anticipatory Note</u>			
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>		
2009	3.15 %	\$ 150,000	4.00 %	\$ 275,000		
2010	3.35 %	155,000	4.00 %	250,000		
2011	3.55 %	160,000		-		
2012	3.75 %	165,000		-		
2013	3.90 %	<u>175,000</u>		<u>-</u>		
Total		<u>\$ 805,000</u>		<u>\$ 525,000</u>		

Year Ending June 30,	<u>Revenue Debt</u>					
	<u>Electric Revenue Note</u> <u>Issued April 1, 1999</u>		<u>Water Revenue Note</u> <u>Issued October 1, 2002</u>		<u>Sewer Revenue Note</u> <u>Issued June 30, 2003</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2009	4.35 %	\$ 415,000	4.25 %	\$ 105,000	3.00 %	\$ 131,000
2010		-	4.40 %	110,000	3.00 %	135,000
2011		-	4.55 %	115,000	3.00 %	139,000
2012		-	4.70 %	120,000	3.00 %	143,000
2013		-	4.85 %	125,000	3.00 %	147,000
2014		-	5.00 %	130,000	3.00 %	152,000
2015		-	5.10 %	140,000	3.00 %	156,000
2016		-	5.20 %	145,000	3.00 %	161,000
2017		-	5.30 %	155,000	3.00 %	166,000
2018		-	5.40 %	160,000	3.00 %	171,000
2019		-		-	3.00 %	176,000
2020		-		-	3.00 %	181,000
2021		-		-	3.00 %	187,000
2022		-		-	3.00 %	192,000
2023		-		-	3.00 %	198,000
2024		<u>-</u>		<u>-</u>	3.00 %	<u>204,000</u>
Total		<u>\$ 415,000</u>		<u>\$1,305,000</u>		<u>\$2,639,000</u>

CITY OF TIPTON

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the last four years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
RECEIPTS:				
Property tax	\$ 891,603	\$ 850,516	\$ 803,190	\$ 743,605
Tax increment financing collections	217,895	205,164	190,052	190,192
Other city tax	254,739	161,840	122,778	179,993
Licenses and permits	2,382	3,018	3,284	4,895
Use of money and property	55,653	106,135	95,100	70,247
Intergovernmental	623,166	543,011	485,671	752,268
Charges for services	271,547	276,239	247,844	208,929
Special assessments	72,766	61,562	14,012	26,228
Miscellaneous	<u>386,325</u>	<u>669,881</u>	<u>339,310</u>	<u>2,632,575</u>
Total	<u>\$ 2,776,076</u>	<u>\$ 2,877,366</u>	<u>\$ 2,301,241</u>	<u>\$ 4,808,932</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 638,724	\$ 723,533	\$ 782,320	\$ 586,004
Public works	415,650	462,406	324,841	434,109
Culture and recreation	724,830	587,047	587,171	373,104
Community and economic development	206,325	73,788	-	51,291
General government	253,301	255,852	311,842	320,203
Debt service	600,297	592,008	416,710	266,375
Capital projects	<u>982,900</u>	<u>895,413</u>	<u>1,135,574</u>	<u>5,597,107</u>
Total	<u>\$ 3,822,027</u>	<u>\$ 3,590,047</u>	<u>\$ 3,558,458</u>	<u>\$ 7,628,193</u>

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

To the Honorable Mayor and
Members of the City Council
Tipton, Iowa

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton as of and for the year ended June 30, 2008, which collectively comprise the City of Tipton, Iowa's basic financial statements and have issued our report thereon dated March 21, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in Part II, we believe item II-A-2008, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tipton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and are described in Part III of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Tipton's responses to findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

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

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

Clifton Henderson LLP

Cedar Rapids, Iowa
March 21, 2009

CITY OF TIPTON
Schedule of Findings
Year ended June 30, 2008

PART I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- | | | | | |
|----------------------------------------------------------------------------------------------|---------------|-----|---------------|----|
| • Material weakness(es) identified? | <u> x </u> | yes | <u> </u> | no |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u> x </u> | yes | <u> </u> | no |
| • Noncompliance material to financial statements noted? | <u> </u> | yes | <u> x </u> | no |

PART II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

II-A-2008 SEGREGATION OF DUTIES IN THE ACCOUNTING FUNCTION

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

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

Questioned Costs: None.

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

Effect: Incompatible duties were not properly segregated.

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

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

We recommend the following:

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

Management Response and Corrective Action Plan: We agree, and the City will continue to look for ways to realign and reassign duties where practical.

CITY OF TIPTON
Schedule of Findings
Year ended June 30, 2008

PART II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESS (CONTINUED)

II-A-2008 SEGREGATION OF DUTIES IN THE ACCOUNTING FUNCTION (CONTINUED)

Conclusion: Response accepted.

SIGNIFICANT DEFICIENCY

II-B-2008 PREPARATION OF FINANCIAL STATEMENTS

Criteria: The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition: The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Context: While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that the financial statement omissions or other errors would be identified and corrected prior to issuance.

Effect: As a result of this condition, there is more than a remote risk that misstatements that are more than inconsequential to the financial statements could occur and not be detected.

Cause: The City has relied on the independent auditor to some degree to provide assurance the financial statements, including disclosures, are not materially misstated.

Recommendation: We recommend sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Management Response: The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceed 50 pages in length. As a result, the City of Tipton has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion: Response accepted.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2008

PART II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

III-A-2008 Certified Budget - Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

III-B-2008 Questionable Disbursements - We noted no disbursements that failed to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-2008 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-2008 Business Transactions - We noted the following business transactions between the City and City officials or employees:

Dean Anderson - Tipton Greenhouse	\$ 565.80
Steve Nash - Nash Tree Service	550.00

As the amounts are less than \$1,500, they do not appear to be conflicts of interest as defined by Chapter 362.5 of the Code of Iowa.

III-E-2008 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should continue to be reviewed annually to insure that the coverage is adequate for current operations.

III-F-2008 Council Minutes - We noted the following transaction that we believe should have been approved in the council minutes but were not.

We noted an employee, who was not a part of a union, whose wages were not approved by the City council.

Recommendation - The City should approve all full time employee wages.

Response - We will approve all full time employee wages.

Conclusion - Response accepted.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2008

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED):

III-G-2008 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-2008 Financial Condition - The following funds had deficit balances at June 30, 2008:

General Fund	\$ (177,164)
Special Revenue:	
Aquatic Campaign	(70,860)
Capital Projects:	
Aquatic Center Project	(487,132)
Streetscapes Project	(552,954)
Enterprise:	
Gas	(5,919)
Water Tower Project	(559,519)
69 KV Substation Project	(54,420)
Airport	(96,531)
Cemetery	(22,249)
Internal Service:	
Central Garage	(74,484)
PSF Health Insurance	(1,100)
Payroll Account	(24)

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

Response - We will look into alternatives to eliminate these deficits.

Conclusion - Response accepted.

CITY OF TIPTON

Audit Staff

This audit was performed by:

William Murray, CPA

William Vincent, CPA

Michele Matt, CPA

Andrew Johnson, CPA

Joshua Barta

Lindsey Kotowske