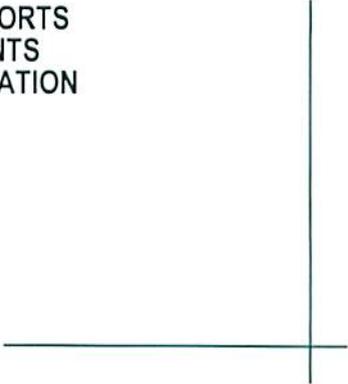


CITY OF TIPTON, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2009



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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 <sup>st</sup> Ward Council Person	December 2011
Dean Anderson	2 <sup>nd</sup> Ward Council Person	December 2009
Klay Johnson	3 <sup>rd</sup> 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	
Lorna Fletcher	Finance Officer/ 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, 2009, 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, 2009, 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 April 19, 2010 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, 2008 (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  
April 19, 2010

## 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, 2009. Readers are encouraged to consider this information in conjunction with the City's financial statements which follow.

### 2009 FINANCIAL HIGHLIGHTS

- The City's total cash basis net assets decreased by 3.5% at the close of fiscal year 2009 or \$150,651. Governmental activities cash basis net assets decreased by \$958,883.
- City governmental activities revenues increased \$63,205 or 2.1% when compared to fiscal year 2008. Significant changes were due to transfers and other financing sources.
- General government activities expenditures increased \$263,012 or 6.9% during this same period. That increase was due to a street improvement project, which includes the constructing of street, water, sanitary and storm sewer improvements.
- Business type activities (the City's enterprise funds) operating revenues increased by \$245,946 or 3.4% and direct operating expenses decreased by \$687,638 or 10.2% when compared to the prior year.
- The City has \$5,171,459 in long term debt compared to \$5,689,000 at the close of fiscal year 2009. The change between years is the required debt service payments netted with the issuance of the bond.

### 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**

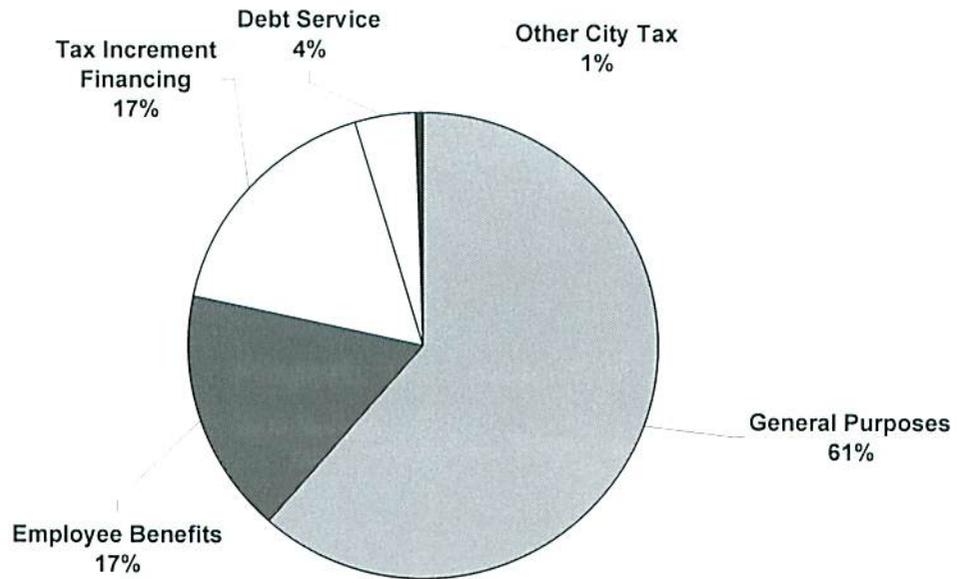
Net assets may serve, over time, as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$956,198 to \$(2,684). The analysis following focuses on the changes in cash balances for governmental activities:

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**

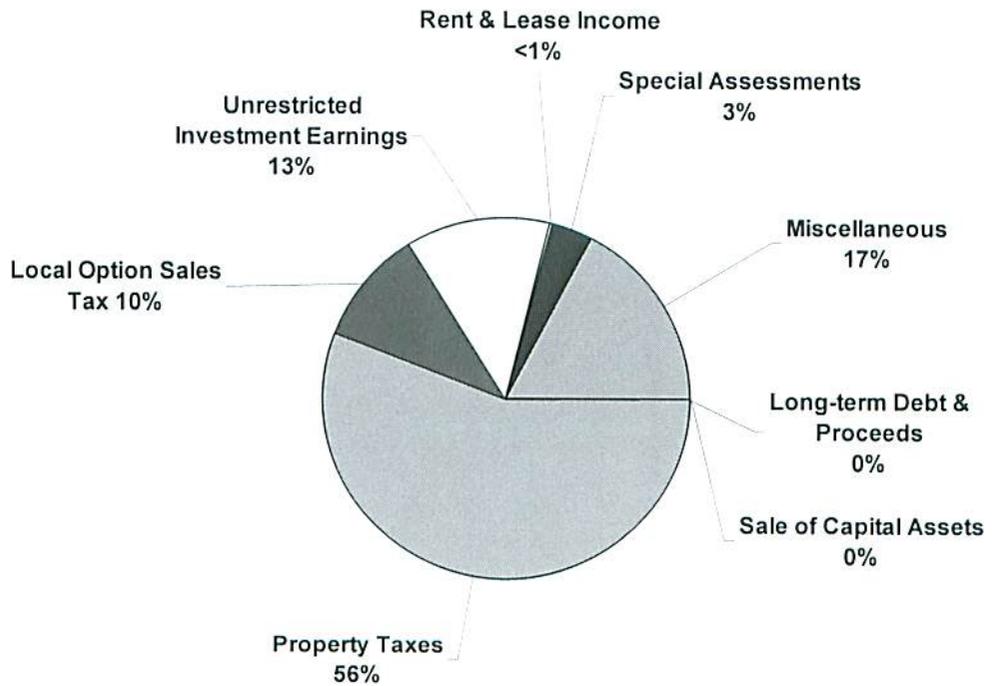
**GOVERNMENTAL ACTIVITIES**

	<b><u>June 30,</u></b> <b><u>2009</u></b>	<b><u>June 30,</u></b> <b><u>2008</u></b>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 342,324	\$ 286,730
Operating grants, contributions and restricted interest	599,632	651,757
Capital grants, contributions and restricted interest	47,625	312,877
General receipts:		
Property tax	1,140,925	1,109,498
Other city tax	7,774	6,094
Local Option Sales Tax	206,906	248,645
Unrestricted investment earnings	263,283	73,677
Rent and lease income	5,059	214,259
Special assessments	71,179	33,504
Miscellaneous	352,315	288,951
Debt proceeds	638,459	-
Interfund loans	(56,531)	(30,315)
Transfers, net	<u>(134,904)</u>	<u>222,434</u>
Total receipts and transfers	<u>3,484,046</u>	<u>3,418,111</u>
Disbursements:		
General government:		
Public safety	678,745	638,724
Public works	435,441	415,650
Culture and recreation	813,703	724,830
Community and economic development	204,044	206,325
General government	572,948	716,081
Debt service	568,547	600,297
Capital projects	<u>1,169,501</u>	<u>982,900</u>
Total general government disbursements	<u>4,442,929</u>	<u>4,284,807</u>
<b>Change in Cash Basis Net Assets</b>	<b>(958,883)</b>	<b>(866,696)</b>
<b>Cash Basis Net Assets, Beginning of Year</b>	<b><u>956,198</u></b>	<b><u>1,822,894</u></b>
<b>Cash Basis Net Assets, End of Year</b>	<b><u>\$ (2,684)</u></b>	<b><u>\$ 956,198</u></b>

### Property Tax Levies



### Receipts by Source

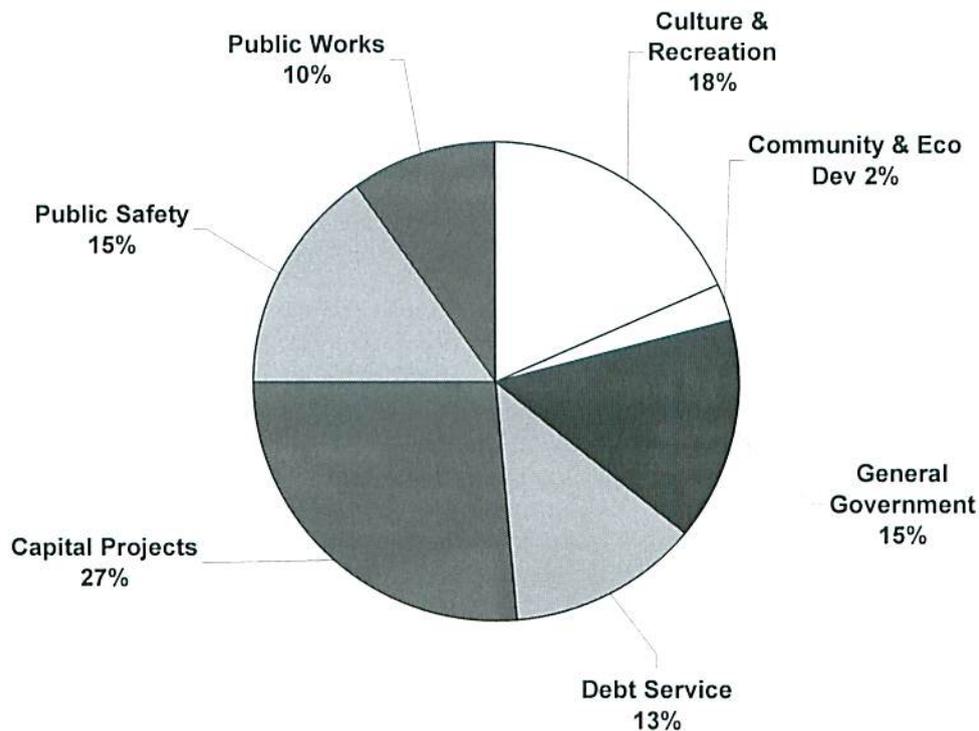


The City's total receipts for governmental activities increased by \$65,935 from the previous year. The total cost of all programs increased by \$158,122 with no new programs added during the year.

The City increased the property tax rates for 2009 by 0.989%. The increase was due primarily to the increase in 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.

The cost of all governmental activities this year was \$4,442,929 compared to \$4,284,807 last year. The amount financed by property taxpayers was \$1,140,925. The remainder was financed by charges for services for those directly benefiting from the programs \$342,324 or by other governments or organizations that subsidized certain programs with grants, contributions, and restricted interest \$2,000,777 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>2009</u>	<u>June 30,</u> <u>2008</u>
Receipts:		
Program receipts:		
Charges for service	\$7,297,658	\$7,119,070
Operating grants, contributions and restricted interest	108,343	44,978
General receipts:		
Unrestricted investment earnings	75,861	121,802
Rent and lease income	8,398	9,994
Miscellaneous	<u>55,105</u>	<u>51,110</u>
Total receipts	<u>7,545,365</u>	<u>7,346,954</u>
Disbursements and transfers:		
Electric	3,449,212	4,073,648
Water	562,397	432,324
Gas	1,843,183	1,984,110
Wastewater	560,317	672,868
Communications	3,212	2,538
Airport	90,426	166,007
Garbage	371,119	338,484
Cemetery	<u>48,702</u>	<u>45,461</u>
Total disbursements	6,928,568	7,715,438
Interfund loans net	(56,531)	(30,315)
Transfers, net	<u>(134,904)</u>	<u>222,434</u>
Total disbursements and transfers	<u>6,737,133</u>	<u>7,907,557</u>
 <b>Change in Cash Basis Net Assets</b>	 808,232	 (560,603)
<b>Cash Basis Net Assets, Beginning of Year</b>	<u>3,322,687</u>	<u>3,883,289</u>
<b>Cash Basis Net Assets, End of Year</b>	<u>\$4,130,919</u>	<u>\$3,322,686</u>

Total business type activities receipts for the fiscal year were \$7,545,365 compared to \$7,346,954 last year. This change was due primarily to a gas and solid waste rate increase. Total disbursements and transfers for the fiscal year were \$6,737,133 compared to \$7,907,557 last year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City completed this year, its governmental funds reported a combined fund balance of \$(2,684), a decrease over last year's total of \$956,198. The following are the major reasons for the changes of fund balances of the governmental funds from the prior year.

1. The General Fund cash balance decreased \$22,932 from prior year to a deficit fund balance of \$(200,097) due to the purchase and cleanup of a dilapidated property, purchase of new outdoor warning sirens and general operations.
2. The Road Use Taxes Fund cash balance increased \$21,210 from prior year to \$439,273. This increase was attributable to the State of Iowa's allocation increasing \$3.00 per capita.
3. The TIF Capital Improvement Fund cash balance decreased \$87,329 from prior year to \$219,950. The decrease was due to the addition of two new development agreements.
4. The Economic/Industrial Development Fund cash balance increased \$118,168 from prior year to \$197,065. The increase was the result of the retirement of a rebate agreement and one small development agreement.
5. The Ambulance Trust Fund cash balance increased \$27,500 from prior year to \$296,523. The increase was attributable to planning for a new ambulance. The City approved the purchase of a new ambulance in October 2009.
6. The GO Street Improvement Fund decreased \$479,325 from prior year to a deficit fund balance of \$(351,899). The decrease was mainly due to improvements to the streets, water, sanitary, and storm sewers in connection with the Highway 38 and Highway 130 reconstruction project.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

1. The Electric Operating Fund cash balance increased \$410,359 to \$1,503,444 due to the retirement of an Electric Revenue Bond.
2. The Electric Bond Fund cash balance increased \$86,786 to \$618,810 due to the retirement of the above stated electric bond.
3. The Gas Operating Fund cash balance increased \$41,484 to \$35,565 due to a gas rate increase.
4. The Gas Surplus Fund cash balance increased \$13,311 to \$472,855 due to investment revenue.
5. The Wastewater Treatment Fund cash balance increased \$354,662 to \$503,817 due to the consolidation of past project funds.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time which resulted in an increase in budgeted disbursements of \$1,270,436 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, 2009, the City had \$5,171,459 in bonds and other long-term debt, compared to \$5,689,000 at the beginning of the year.

### Outstanding debt at June 30, 2009, and 2008

	<u>2009</u>	<u>2008</u>
General Obligation Notes:		
Street improvements	\$ 558,459	\$ -
Street improvements	<u>655,000</u>	<u>805,000</u>
Total	<u>1,213,459</u>	<u>805,000</u>
Revenue Bonds:		
Sewer revenue	2,508,000	2,639,000
Revenue Notes:		
Electric revenue	-	415,000
Water revenue	<u>1,200,000</u>	<u>1,305,000</u>
Total	<u>3,708,000</u>	<u>4,359,000</u>
Anticipatory obligation notes:		
FAC anticipatory note	<u>250,000</u>	<u>525,000</u>
Total indebtedness	<u>\$ 5,171,459</u>	<u>\$ 5,689,000</u>

Debt decreased as a result of the regular debt service requirements. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,213,459 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 continues 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 14% of the City's total budget and 56% 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 2009 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, however it is slightly below the state average (6.6% versus 6.7%). 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 2010.

### ***Revenues, 2009-2010***

The City's property tax grew based on a 7.4% 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 \$1.21901/\$1,000 to \$0.69402/\$1,000 of assessed value because of the local option sales and service tax. Overall tax-based revenues are expected to show a modest increase of \$82,880 to \$1,017,746.

A 1% annual increase in electric rates may take effect in May 2010. The City has modified its natural gas rates and the procedure by which commodity price adjustments are included in billings to customers. The City may also propose an increase in the sewer rates and basic charge.

### ***Expenses, 2009-2010***

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, 2010 +***

The City continues with its plans to construct a new fire station. The Fire Station Project was voted on and approved in November of 2009. The firm of Solum Lang Architects continues to work with both the Fire Department and the City to complete the design of 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 has purchased additional standby generation. 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). The City believes the purchase of the additional generation capacity for peak-shaving only would provide sufficient demand capacity cost reduction. However, in the event of another major outage, having the additional four mega-watts of capacity would also make it much easier for the City to carry the electrical load of the town.

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 of 25 - 30% within this past fiscal year.

#### **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, 2009

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 678,745	\$ 211,828	\$ 70,546	\$ -
Public works	435,441	2,395	267,314	-
Culture and recreation	813,703	124,363	51,876	-
Community and economic development	204,044	-	8,237	-
General government	572,948	3,738	8,487	47,625
Debt service	568,547	-	-	-
Capital projects	1,169,501	-	193,173	-
Total governmental activities	<u>4,442,929</u>	<u>342,324</u>	<u>599,632</u>	<u>47,625</u>
Business type activities:				
Electric	3,449,212	4,042,718	8,065	-
Water	562,397	495,571	2,322	-
Gas	1,843,183	1,863,514	8,384	-
Wastewater	560,317	463,874	2,841	-
Communications	3,212	-	-	-
Airport	90,426	62,923	82,361	-
Garbage	371,119	348,618	1,678	-
Cemetery	48,702	20,440	2,692	-
Total business type activities	<u>6,928,568</u>	<u>7,297,658</u>	<u>108,343</u>	<u>-</u>
Total	<u>\$ 11,371,497</u>	<u>\$ 7,639,982</u>	<u>\$ 707,975</u>	<u>\$ 47,625</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**

---

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (396,371)	\$ -	\$ (396,371)
(165,732)	-	(165,732)
(637,464)	-	(637,464)
(195,807)	-	(195,807)
(513,098)	-	(513,098)
(568,547)	-	(568,547)
<u>(976,328)</u>	<u>-</u>	<u>(976,328)</u>
 <u>(3,453,348)</u>	 <u>-</u>	 <u>(3,453,348)</u>
-	601,571	601,571
-	(64,504)	(64,504)
-	28,715	28,715
-	(93,602)	(93,602)
-	(3,212)	(3,212)
-	54,858	54,858
-	(20,823)	(20,823)
<u>-</u>	<u>(25,570)</u>	<u>(25,570)</u>
 <u>-</u>	 <u>477,433</u>	 <u>477,433</u>
 <u>(3,453,348)</u>	 <u>477,433</u>	 <u>(2,975,915)</u>
 704,466	-	704,466
194,602	-	194,602
195,347	-	195,347
46,510	-	46,510
7,774	-	7,774
206,906	-	206,906
263,283	75,861	339,144
5,059	8,398	13,457
71,179	-	71,179
352,315	55,105	407,420

(continued)

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2009

	<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>and Restricted</u>	<u>Contributions,</u>
		<u>Interest</u>	<u>and Restricted</u>
		<u>Interest</u>	<u>Interest</u>
Debt proceeds			
Interfund loan proceeds			
Transfers in			
Interfund loan advances			
Transfers out			
Total general receipts and transfers			
<b>CHANGE IN CASH BASIS NET ASSETS</b>			
<b>CASH BASIS NET ASSETS, BEGINNING OF THE YEAR</b>			
<b>CASH BASIS NET ASSETS, END OF THE YEAR</b>			
<b>CASH BASIS NET ASSETS:</b>			
Reserved:			
Streets			
Deposits			
Debt service			
Capital improvement			
Economic development			
Other purposes			
Unreserved			
<b>TOTAL CASH BASIS NET ASSETS</b>			

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

---

Governmental Activities	Business Type Activities	Total
638,459	-	638,459
17,664	56,531	74,195
1,213,694	2,549,172	3,762,866
(74,195)	-	(74,195)
(1,348,598)	(2,414,268)	(3,762,866)
2,494,465	330,799	2,825,264
(958,883)	808,232	(150,651)
956,199	3,322,687	4,278,886
\$ (2,684)	\$ 4,130,919	\$ 4,128,235

\$ 439,273	\$ -	\$ 439,273
-	31,026	31,026
20,470	1,403,233	1,423,703
219,950	-	219,950
197,065	-	197,065
623,177	881,755	1,504,932
(1,502,619)	1,814,905	312,286
\$ (2,684)	\$ 4,130,919	\$ 4,128,235

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, 2009

		Special	
	General	Road Use Taxes	TIF Capital Improvement
<b>RECEIPTS:</b>			
Property tax	\$ 705,220	\$ -	\$ -
Tax increment financing collections	-	-	195,347
Other city tax	7,021	-	-
Licenses and permits	2,752	-	-
Use of money and property	11,731	-	3,998
Intergovernmental	46,894	261,769	-
Charges for services	320,801	-	-
Special assessments	17,310	-	-
Miscellaneous	83,161	-	1,894
	<u>1,194,890</u>	<u>261,769</u>	<u>201,239</u>
Total receipts			
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	678,745	-	-
Public works	376,424	59,017	-
Culture and recreation	732,258	-	-
Community and economic development	73,639	-	99,857
General government	142,442	-	71,211
Debt service	-	-	-
Capital projects	-	-	-
	<u>2,003,508</u>	<u>59,017</u>	<u>171,068</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(808,618)</u>	<u>202,752</u>	<u>30,171</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Debt proceeds	-	-	-
Operating transfers in	802,186	-	-
Interfund loan advances	-	-	-
Operating transfers out	(16,500)	(181,542)	(117,500)
	<u>785,686</u>	<u>(181,542)</u>	<u>(117,500)</u>
Net other financing sources (uses)			

<u>Revenue</u>		<u>Capital Project</u>			
<u>Economic/ Industrial Development</u>	<u>Ambulance Trust</u>	<u>GO Street Improvement 2003</u>	<u>Total Nonmajor Governmental Funds</u>		<u>Totals</u>
\$ -	\$ -	\$ -	\$ 241,113	\$	946,333
-	-	-	-		195,347
-	-	-	206,906		213,927
-	-	-	-		2,752
808	4,385	-	12,121		33,043
-	-	-	47,625		356,288
-	-	-	910		321,711
-	5,700	-	95,001		118,011
<u>97,908</u>	<u>915</u>	<u>-</u>	<u>209,216</u>		<u>393,094</u>
<u>98,716</u>	<u>11,000</u>	<u>-</u>	<u>812,892</u>		<u>2,580,506</u>
-	-	-	-		678,745
-	-	-	-		435,441
-	-	-	81,445		813,703
30,548	-	-	-		204,044
-	-	-	1,405		215,058
-	-	-	568,547		568,547
-	-	<u>1,117,784</u>	<u>51,717</u>		<u>1,169,501</u>
<u>30,548</u>	<u>-</u>	<u>1,117,784</u>	<u>703,114</u>		<u>4,085,039</u>
<u>68,168</u>	<u>11,000</u>	<u>(1,117,784)</u>	<u>109,778</u>		<u>(1,504,533)</u>
-	-	638,459	-		638,459
50,000	16,500	-	343,008		1,211,694
-	-	-	(56,531)		(56,531)
-	-	-	<u>(1,033,056)</u>		<u>(1,348,598)</u>
<u>50,000</u>	<u>16,500</u>	<u>638,459</u>	<u>(746,579)</u>		<u>445,024</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, 2009

	General	Road Use Taxes	Special TIF Capital Improvement
NET CHANGE IN CASH BALANCE	(22,932)	21,210	(87,329)
CASH BALANCE, BEGINNING OF YEAR	(177,165)	418,063	307,279
CASH BALANCE, END OF YEAR	\$ (200,097)	\$ 439,273	\$ 219,950
<b>CASH BASIS FUND BALANCE:</b>			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General	(200,097)	-	-
Special revenue funds	-	439,273	219,950
Permanent	-	-	-
Capital project funds	-	-	-
Total cash basis fund balance	\$ (200,097)	\$ 439,273	\$ 219,950

<u>Revenue</u>		<u>Capital Project</u>			
<u>Economic/ Industrial Development</u>	<u>Ambulance Trust</u>	<u>GO Street Improvement 2003</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Totals</u>	
118,168	27,500	(479,325)	(636,801)	(1,059,509)	
<u>78,897</u>	<u>269,023</u>	<u>127,426</u>	<u>(189,722)</u>	<u>833,801</u>	
<u>\$ 197,065</u>	<u>\$ 296,523</u>	<u>\$ (351,899)</u>	<u>\$ (826,523)</u>	<u>\$ (225,708)</u>	
\$ -	\$ -	\$ -	\$ 20,470	\$ 20,470	
-	-	-	-	(200,097)	
197,065	296,523	-	(19,517)	1,133,294	
-	-	-	103,630	103,630	
<u>-</u>	<u>-</u>	<u>(351,899)</u>	<u>(931,106)</u>	<u>(1,283,005)</u>	
<u>\$ 197,065</u>	<u>\$ 296,523</u>	<u>\$ (351,899)</u>	<u>\$ (826,523)</u>	<u>\$ (225,708)</u>	

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

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

As of and for the year ended June 30, 2009

Total governmental funds cash balances \$ (225,708)

***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.

223,024

Cash basis net assets of governmental activities \$ (2,684)

Net change in cash balances \$ (1,059,509)

***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.

100,626

Change in cash basis net assets of governmental activities \$ (958,883)

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, 2009

	Electric Operating	Electric Bond	Gas Operating	Gas Surplus	Wastewater Treatment	Total Nonmajor Proprietary Funds	Totals	Internal Service Funds
<b>OPERATING RECEIPTS:</b>								
Licenses and permits	\$ 185	\$ -	\$ 17	\$ -	\$ -	\$ -	\$ 202	\$ -
Intergovernmental	694	-	-	-	-	79,132	79,826	-
Charges for services	4,037,471	-	1,863,497	-	\$ 463,874	899,168	7,264,010	-
Miscellaneous	12,729	-	8,786	-	2,842	92,710	117,067	230,219
Total operating receipts	<u>4,051,079</u>	<u>-</u>	<u>1,872,300</u>	<u>-</u>	<u>466,716</u>	<u>1,071,010</u>	<u>7,461,105</u>	<u>230,219</u>
<b>OPERATING DISBURSEMENTS:</b>								
General government	-	-	-	-	-	-	-	357,890
Business type activities:								
Electric	3,013,265	-	-	-	-	11,921	3,025,186	-
Water	-	-	-	-	-	395,356	395,356	-
Gas	-	-	1,831,154	-	-	12,029	1,843,183	-
Wastewater	-	-	-	-	249,908	6,598	256,506	-
Communications	-	-	-	-	-	3,212	3,212	-
Airport	-	-	-	-	-	90,426	90,426	-
Garbage	-	-	-	-	-	371,119	371,119	-
Cemetery	-	-	-	-	-	48,702	48,702	-
Total operating disbursements	<u>3,013,265</u>	<u>-</u>	<u>1,831,154</u>	<u>-</u>	<u>249,908</u>	<u>939,363</u>	<u>6,033,690</u>	<u>357,890</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,037,814</u>	<u>-</u>	<u>41,146</u>	<u>-</u>	<u>216,808</u>	<u>131,647</u>	<u>1,427,415</u>	<u>(127,671)</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>								
Interest on investments	12,510	30,255	338	13,311	1,906	25,940	84,260	226,297
Rents	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	(801,238)	(801,238)	-
Capital projects	-	-	-	-	-	(93,640)	(93,640)	-
Net nonoperating receipts (disbursements)	<u>12,510</u>	<u>30,255</u>	<u>338</u>	<u>13,311</u>	<u>1,906</u>	<u>(868,938)</u>	<u>(810,618)</u>	<u>226,297</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,050,324</u>	<u>30,255</u>	<u>41,484</u>	<u>13,311</u>	<u>218,714</u>	<u>(737,291)</u>	<u>616,797</u>	<u>98,626</u>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating transfers in	238,065	-	-	-	460,431	1,850,676	2,549,172	2,000
Interfund loan proceeds	-	56,531	-	-	-	-	56,531	17,664
Interfund loan advances	-	-	-	-	-	-	-	(17,664)
Operating transfers out	(878,030)	-	-	-	(324,483)	(1,211,755)	(2,414,268)	-
Net other financing sources (uses)	<u>(639,965)</u>	<u>56,531</u>	<u>-</u>	<u>-</u>	<u>135,948</u>	<u>638,921</u>	<u>191,435</u>	<u>2,000</u>

	<u>Electric Operating</u>	<u>Electric Bond</u>	<u>Gas Operating</u>	<u>Gas Surplus</u>	<u>Wastewater Treatment</u>	<u>Total Nonmajor Proprietary Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
NET CHANGE IN CASH BALANCE	410,359	86,786	41,484	13,311	354,662	(98,370)	808,232	100,626
CASH BALANCE, BEGINNING OF YEAR	<u>1,093,085</u>	<u>532,024</u>	<u>(5,919)</u>	<u>459,544</u>	<u>149,155</u>	<u>1,094,798</u>	<u>3,322,687</u>	<u>122,398</u>
CASH BALANCE, END OF YEAR	<u>\$ 1,503,444</u>	<u>\$ 618,810</u>	<u>\$ 35,565</u>	<u>\$ 472,855</u>	<u>\$ 503,817</u>	<u>\$ 996,428</u>	<u>\$ 4,130,919</u>	<u>\$ 223,024</u>
CASH BASIS FUND BALANCE:								
Reserved:								
Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,026	\$ 31,026	\$ -
Debt service	-	618,810	-	-	-	784,423	1,403,233	-
Other purposes	-	-	-	472,855	-	408,900	881,755	223,024
Unreserved	<u>1,503,444</u>	<u>-</u>	<u>35,565</u>	<u>-</u>	<u>503,817</u>	<u>(227,921)</u>	<u>1,814,905</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 1,503,444</u>	<u>\$ 618,810</u>	<u>\$ 35,565</u>	<u>\$ 472,855</u>	<u>\$ 503,817</u>	<u>\$ 996,428</u>	<u>\$ 4,130,919</u>	<u>\$ 223,024</u>

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

**CITY OF TIPTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**(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, 2009**

(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 TIF Capital Improvement Fund is used to account for the collections of tax incremental financing activities restricted for capital improvement expenditures.

**CITY OF TIPTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

The Economic/Industrial Development Fund is used to account for the proceeds from land that was sold in order to develop other land.

The Ambulance Trust Fund is used to account for the EMT assessments.

The GO Street Improvement 2003 Capital Project Fund is used to account for the street 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 Wastewater Treatment Fund is used to account for the wastewater treatment 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, 2009**

(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, 2009, disbursements did not exceed budgeted amounts in any of the functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2007, to compute the amounts which became liens on property on July 1, 2008. These taxes were due and payable in two installments on September 30, 2008 and March 31, 2009, 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, 2009 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.

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

**CITY OF TIPTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**(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>
2010	\$ 245,000	\$ 44,549	\$ 495,000	\$ 142,630	\$ 740,000	\$ 187,179
2011	250,000	36,657	254,000	123,544	504,000	160,200
2012	260,000	28,051	263,000	113,938	523,000	141,988
2013	270,000	18,538	272,000	103,796	542,000	122,334
2014	100,000	8,150	282,000	93,105	382,000	101,255
2015	88,459	4,150	296,000	81,725	396,000	85,875
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>\$1,213,459</u>	<u>\$ 140,093</u>	<u>\$3,958,000</u>	<u>\$ 951,460</u>	<u>\$5,171,459</u>	<u>\$1,091,553</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 were callable on June 1, 2009.

General obligation notes were issued on November 12, 2008 to provide funds to pay for the cost of street construction and reconstruction.

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 1/12<sup>th</sup> of the next principal due and 1/6<sup>th</sup> 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.

**CITY OF TIPTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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

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 \$1,498,170. For the current year, principal and interest paid and total customer net receipts were \$62,041 and \$495,571, respectively.

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 1/12<sup>th</sup> of the next principal due and 1/6<sup>th</sup> 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, 2009, 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 \$3,151,290. For the current year, principal and interest paid and total customer net receipts were \$210,170 and \$463,874, 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 \$0. For the current year, principal and interest paid and total customer net receipts were \$424,026 and \$4,037,471, respectively.

**CITY OF TIPTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

	Transfers Out							Totals
	General	RUT	TIF Capital Improvement	Electric	Wastewater Treatment	Nonmajor Special Revenue Enterprise		
Transfers In:								
General	\$ -	\$ -	\$ -	\$ 421,810	\$ 95,000	\$ 270,276	\$ 15,100	\$ 802,186
Ambulance Trust	16,500	-	-	-	-	-	-	16,500
Economic development	-	-	50,000	-	-	-	-	50,000
Nonmajor governmental funds	-	181,542	-	-	-	161,466	-	343,008
Electric	-	-	-	103,701	-	17,833	116,531	238,065
Wastewater treatment	-	-	67,500	-	-	-	392,931	460,431
Nonmajor enterprise	-	-	-	350,519	229,483	583,481	687,193	1,850,676
Internal service funds	-	-	-	2,000	-	-	-	2,000
	<u>\$ 16,500</u>	<u>\$ 181,542</u>	<u>\$ 117,500</u>	<u>\$ 878,030</u>	<u>\$ 324,483</u>	<u>\$ 1,033,056</u>	<u>\$ 1,211,755</u>	<u>\$ 3,762,866</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, 2009, 2008 and 2007 were \$98,789, \$88,275 and \$84,908, respectively, equal to the required contributions for each year.

**(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	
	<u>Single</u>	<u>Family</u>
Employee	\$ 500	\$ 1,000
City	\$ 1,500	\$ 3,000

**CITY OF TIPTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

(6) **Health Insurance** (continued)

The City has established an internal service fund to account for and pay its share of this partial self-funding. As of June 30, 2009, 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.

(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 1,000 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, 2009 is \$74,513. This liability has been computed based on rates of pay in effect at June 30, 2009, 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 \$750,000 with current projections placing the majority of construction costs happening between 2009 and 2010. The City intends to finance this project through the creation of a reserve fund financed by existing user rates.

As of June 30, 2009, the City of Tipton has various outstanding construction contracts totaling \$1,355,628.

**CITY OF TIPTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**(10) Deficit Fund Balances**

The following funds had deficit balances at June 30, 2009:

General Fund	\$ (200,097)
Special Revenue:	
Aquatic Campaign	(174,761)
Library Trust	(7,441)
Capital Projects:	
Aquatic Center Project	(486,357)
Streetscapes Project	(446,429)
GO Street Improvement 03	(351,899)
Enterprise:	
Water Tower Project	(331,697)
Garbage Collection	(11,081)
Airport	(35,463)
Cemetery	(24,301)
Internal Service:	
Central Garage	(6,495)
PSF Health Insurance	(5,658)

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

**(11) New Accounting Standards**

The City of Tipton will implement GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, during the year ending June 30, 2010. This statement establishes uniform accounting and financial reporting standards for state and local governmental entities related to postemployment benefits other than pension plans ("OPEB").

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ending June 30, 2012. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

It is not anticipated that the implementation of the new standards will have a significant effect on the City's financial statements.

**CITY OF TIPTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**(12) Subsequent Event**

In July 2009, the City authorized a loan agreement for the issuing of a general obligation corporate purpose loan agreement anticipatory note in the amount not to exceed \$1,500,000.

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, 2009

	<b>Governmental Funds <u>Actual</u></b>	<b>Proprietary Funds <u>Actual</u></b>	<b><u>Total</u></b>
<b>RECEIPTS:</b>			
Property tax	\$ 946,333	\$ -	\$ 946,333
Tax increment financing	195,347	-	195,347
Other city tax	213,927	-	213,927
Licenses and permits	2,752	202	2,954
Use of money and property	33,043	84,260	117,303
Intergovernmental	356,288	79,826	436,114
Charges for services	321,711	7,264,010	7,585,721
Special assessments	118,011	-	118,011
Miscellaneous	<u>393,094</u>	<u>117,067</u>	<u>510,161</u>
Total receipts	<u>2,580,506</u>	<u>7,545,365</u>	<u>10,125,871</u>
<b>DISBURSEMENTS:</b>			
Public safety	678,745	-	678,745
Public works	435,441	-	435,441
Culture and recreation	813,703	-	813,703
Community and economic development	204,044	-	204,044
General government	215,058	-	215,058
Debt service	568,547	801,238	1,369,785
Capital projects	1,169,501	93,640	1,263,141
Business type activities	<u>-</u>	<u>6,033,690</u>	<u>6,033,690</u>
Total disbursements	<u>4,085,039</u>	<u>6,928,568</u>	<u>11,013,607</u>
Excess (deficiency) of receipts over (under) disbursements	(1,504,533)	616,797	(887,736)
<b>OTHER FINANCING SOURCES (USES)</b>			
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(1,059,509)</u>	<u>191,435</u>	<u>636,459</u>
<b>BALANCES BEGINNING OF YEAR</b>	<u>833,801</u>	<u>3,322,687</u>	<u>4,156,488</u>
<b>BALANCES END OF YEAR</b>	<u>\$ (225,708)</u>	<u>\$ 4,130,919</u>	<u>\$ 3,905,211</u>

<b>Budgeted Amounts</b>		<b>Final to Total Variance</b>
<b>Original</b>	<b>Final</b>	
\$ 934,866	\$ 934,866	\$ 11,467
189,498	189,498	5,849
201,377	201,377	12,550
4,760	4,760	(1,806)
356,238	1,503,434	(1,386,131)
435,297	505,694	(69,580)
9,071,057	9,077,600	(1,491,879)
-	42,865	75,146
<u>757,862</u>	<u>761,297</u>	<u>(251,136)</u>
<u>11,950,955</u>	<u>13,221,391</u>	<u>(3,095,520)</u>
767,286	767,286	88,541
508,136	532,268	96,827
972,380	1,121,764	308,061
226,114	228,303	24,259
154,253	219,020	3,962
1,097,951	1,447,951	78,166
4,730,581	4,903,096	3,639,955
<u>8,069,254</u>	<u>8,576,703</u>	<u>2,543,013</u>
<u>16,525,955</u>	<u>17,796,391</u>	<u>6,782,784</u>
(4,575,000)	(4,575,000)	3,687,264
<u>4,575,000</u>	<u>4,575,000</u>	<u>(3,938,541)</u>
-	-	(251,277)
<u>5,968,297</u>	<u>5,968,297</u>	<u>-</u>
<u>\$ 5,968,297</u>	<u>\$ 5,968,297</u>	<u>\$ (251,277)</u>

See accompanying independent auditor's report.

## CITY OF TIPTON

### Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2009

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 and disbursements by \$1,270,436. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, 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, 2009

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>RECEIPTS:</b>					
Property tax	\$ 194,603	\$ 46,510	\$ -	\$ -	\$ 241,113
Tax increment financing collections	-	-	-	-	-
Other city tax	206,906	-	-	-	206,906
Use of money and property	11,880	237	4	-	12,121
Charges for services	-	-	-	910	910
Intergovernmental	47,625	-	-	-	47,625
Special assessment	52,136	-	42,865	-	95,001
Miscellaneous	199,342	9,000	874	-	209,216
	<u>712,492</u>	<u>55,747</u>	<u>43,743</u>	<u>910</u>	<u>812,892</u>
Total receipts					
<b>DISBURSEMENTS:</b>					
Operating:					
Culture and recreation	81,445	-	-	-	81,445
General government	1,405	-	-	-	1,405
Debt service	296,000	272,547	-	-	568,547
Capital Projects	200	-	51,517	-	51,717
	<u>379,050</u>	<u>272,547</u>	<u>51,517</u>	<u>-</u>	<u>703,114</u>
Total disbursements					
Excess (deficiency) of receipts over (under) disbursements	<u>333,442</u>	<u>(216,800)</u>	<u>(7,774)</u>	<u>910</u>	<u>109,778</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	227,930	115,078	-	343,008
Interfund loan advances	(56,531)	-	-	-	(56,531)
Operating transfers out	(1,033,056)	-	-	-	(1,033,056)
	<u>(1,089,587)</u>	<u>227,930</u>	<u>115,078</u>	<u>-</u>	<u>(746,579)</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	(756,145)	11,130	107,304	910	(636,801)
CASH BALANCE, BEGINNING OF YEAR	<u>736,628</u>	<u>9,340</u>	<u>(1,038,410)</u>	<u>102,720</u>	<u>(189,722)</u>
CASH BALANCE, END OF YEAR	<u>\$ (19,517)</u>	<u>\$ 20,470</u>	<u>\$ (931,106)</u>	<u>\$ 103,630</u>	<u>\$ (826,523)</u>
<b>CASH BASIS FUND BALANCE:</b>					
Reserved:					
Debt service	\$ -	\$ 20,470	\$ -	\$ -	\$ 20,470
Unreserved:					
Special revenue funds	(19,517)	-	-	-	(19,517)
Permanent	-	-	-	103,630	103,630
Capital project funds	<u>-</u>	<u>-</u>	<u>(931,106)</u>	<u>-</u>	<u>(931,106)</u>
Total cash basis fund balance	<u>\$ (19,517)</u>	<u>\$ 20,470</u>	<u>\$ (931,106)</u>	<u>\$ 103,630</u>	<u>\$ (826,523)</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, 2009

	Trust and Agency	Local Option Tax	CDBG Funds	Aquatic Campaign
<b>RECEIPTS:</b>				
Property tax	\$ 194,603	\$ -	\$ -	\$ -
Other city tax	-	206,906	-	-
Use of money and property	1,109	1,139	940	-
Intergovernmental	-	-	47,625	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	192,299
	<u>195,712</u>	<u>208,045</u>	<u>48,565</u>	<u>192,299</u>
Total receipts				
<b>DISBURSEMENTS:</b>				
Operating:				
Culture and recreation	-	-	-	-
General government	-	-	-	-
Debt Service	-	-	-	296,000
Capital projects	-	-	-	200
	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,200</u>
Total disbursements				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,200</u>
Excess (deficiency) of receipts over (under) disbursements	<u>195,712</u>	<u>208,045</u>	<u>48,565</u>	<u>(103,901)</u>
<b>OTHER FINANCING USES</b>				
Interfund loan advances	-	-	-	-
Operating transfers out	(194,144)	(255,431)	(583,481)	-
	<u>(194,144)</u>	<u>(255,431)</u>	<u>(583,481)</u>	<u>-</u>
Net other financing uses				
	<u>(194,144)</u>	<u>(255,431)</u>	<u>(583,481)</u>	<u>-</u>
<b>NET CHANGE IN CASH BALANCE</b>	1,568	(47,386)	(534,916)	(103,901)
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<u>15,236</u>	<u>96,515</u>	<u>534,916</u>	<u>(70,860)</u>
<b>CASH BALANCE, END OF YEAR</b>	<u>\$ 16,804</u>	<u>\$ 49,129</u>	<u>\$ -</u>	<u>\$ (174,761)</u>
<b>CASH BASIS FUND BALANCE:</b>				
Unreserved:				
Special revenue funds	<u>\$ 16,804</u>	<u>\$ 49,129</u>	<u>\$ -</u>	<u>\$ (174,761)</u>

<u>Unemploy- ment Trust</u>	<u>Library Trust</u>	<u>PS Share Trust</u>	<u>Fire Trust</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 194,603
-	-	-	-	206,906
3,265	5,373	8	46	11,880
-	-	-	-	47,625
-	-	-	52,136	52,136
-	5,004	2,039	-	199,342
<u>3,265</u>	<u>10,377</u>	<u>2,047</u>	<u>52,182</u>	<u>712,492</u>
-	81,445	-	-	81,445
-	-	1,405	-	1,405
-	-	-	-	296,000
-	-	-	-	200
<u>-</u>	<u>81,445</u>	<u>1,405</u>	<u>-</u>	<u>379,050</u>
<u>3,265</u>	<u>(71,068)</u>	<u>642</u>	<u>52,182</u>	<u>333,442</u>
-	-	-	(56,531)	(56,531)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,033,056)</u>
-	-	-	(56,531)	(1,089,587)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,531)</u>	<u>(1,089,587)</u>
3,265	(71,068)	642	(4,349)	(756,145)
<u>75,872</u>	<u>63,627</u>	<u>3,033</u>	<u>18,289</u>	<u>736,628</u>
<u>\$ 79,137</u>	<u>\$ (7,441)</u>	<u>\$ 3,675</u>	<u>\$ 13,940</u>	<u>\$ (19,517)</u>
<u>\$ 79,137</u>	<u>\$ (7,441)</u>	<u>\$ 3,675</u>	<u>\$ 13,940</u>	<u>\$ (19,517)</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, 2009

	Debt Service		Total Debt Service Funds
	GO Street Improvement Debt Service	GO Street Improvement Debt Service 03	
<b>RECEIPTS:</b>			
Property tax	\$ 46,510	\$ -	\$ 46,510
Use of money and property	96	141	237
Charges for services	-	-	-
Special assessments	-	-	-
Miscellaneous	-	9,000	9,000
<b>Total receipts</b>	<b>46,606</b>	<b>9,141</b>	<b>55,747</b>
<b>DISBURSEMENTS:</b>			
Debt service	80,200	192,347	272,547
Capital projects	-	-	-
<b>Total disbursements</b>	<b>80,200</b>	<b>192,347</b>	<b>272,547</b>
Excess (deficiency) of receipts over (under) disbursements	(33,594)	(183,206)	(216,800)
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	49,020	178,910	227,930
<b>NET CHANGE IN CASH BALANCE</b>	<b>15,426</b>	<b>(4,296)</b>	<b>11,130</b>
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<b>4,662</b>	<b>4,678</b>	<b>9,340</b>
<b>CASH BALANCE, END OF YEAR</b>	<b>\$ 20,088</b>	<b>\$ 382</b>	<b>\$ 20,470</b>
<b>CASH BASIS FUND BALANCE:</b>			
Reserved:			
Debt service	\$ 20,088	\$ 382	\$ 20,470
Unreserved:			
Cemetery	-	-	-
Capital projects	-	-	-
<b>Total cash basis fund balance</b>	<b>\$ 20,088</b>	<b>\$ 382</b>	<b>\$ 20,470</b>

Capital Projects					Permanent
GO Street Improvement	Skate Park Project	Aquatic Center Project	Street-scapes Project	Total Capital Project Funds	Cemetery Trust
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	-	-	-	4	-
-	-	-	-	-	910
-	-	-	42,865	42,865	-
-	-	874	-	874	-
<u>4</u>	<u>-</u>	<u>874</u>	<u>42,865</u>	<u>43,743</u>	<u>910</u>
-	-	-	-	-	-
-	45,497	100	5,920	51,517	-
-	45,497	100	5,920	51,517	-
<u>4</u>	<u>(45,497)</u>	<u>774</u>	<u>36,945</u>	<u>(7,774)</u>	<u>910</u>
-	45,497	-	69,581	115,078	-
4	-	774	106,526	107,304	910
1,676	-	(487,131)	(552,955)	(1,038,410)	102,720
<u>\$ 1,680</u>	<u>\$ -</u>	<u>\$ (486,357)</u>	<u>\$ (446,429)</u>	<u>\$ (931,106)</u>	<u>\$ 103,630</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	103,630
<u>1,680</u>	<u>-</u>	<u>(486,357)</u>	<u>(446,429)</u>	<u>(931,106)</u>	<u>-</u>
<u>\$ 1,680</u>	<u>\$ -</u>	<u>\$ (486,357)</u>	<u>\$ (446,429)</u>	<u>\$ (931,106)</u>	<u>\$ 103,630</u>

CITY OF TIPTON

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances

Combining Nonmajor Proprietary Funds

As of and for the year ended June 30, 2009

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Total</u>
<b>OPERATING RECEIPTS:</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 79,132	\$ 79,132
Charges for services	-	495,572	-	-	403,596	899,168
Miscellaneous	12,540	6,756	13,185	-	60,229	92,710
	<u>12,540</u>	<u>502,328</u>	<u>13,185</u>	<u>-</u>	<u>542,957</u>	<u>1,071,010</u>
Total operating receipts						
<b>OPERATING DISBURSEMENTS:</b>						
Business type activities:						
Electric	11,921	-	-	-	-	11,921
Water	-	395,356	-	-	-	395,356
Gas	-	-	12,029	-	-	12,029
Wastewater	-	-	-	6,598	-	6,598
Communications	-	-	-	-	3,212	3,212
Airport	-	-	-	-	90,426	90,426
Garbage	-	-	-	-	371,119	371,119
Cemetery	-	-	-	-	48,702	48,702
	<u>11,921</u>	<u>395,356</u>	<u>12,029</u>	<u>6,598</u>	<u>513,459</u>	<u>939,363</u>
Total operating disbursements						
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>619</u>	<u>106,972</u>	<u>1,156</u>	<u>(6,598)</u>	<u>29,498</u>	<u>131,647</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>						
Interest on investments	11,901	852	175	1,151	11,861	25,940
Debt service	(424,026)	(167,041)	-	(210,171)	-	(801,238)
Capital projects	-	-	-	(93,640)	-	(93,640)
	<u>(412,125)</u>	<u>(166,189)</u>	<u>175</u>	<u>(302,660)</u>	<u>11,861</u>	<u>(868,938)</u>
Net nonoperating receipts (disbursements)						
Excess (deficiency) of receipts over (under) disbursements	<u>(411,506)</u>	<u>(59,217)</u>	<u>1,331</u>	<u>(309,258)</u>	<u>41,359</u>	<u>(737,291)</u>

Schedule 4

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Total</u>
<b>OTHER FINANCING SOURCES</b>						
<b>(USES):</b>						
Operating transfers in	347,951	199,775	-	1,285,047	17,903	1,850,676
Operating transfers out	<u>(116,531)</u>	<u>(175,009)</u>	<u>-</u>	<u>(905,115)</u>	<u>(15,100)</u>	<u>(1,211,755)</u>
Net other financing sources (uses)	<u>231,420</u>	<u>24,766</u>	<u>-</u>	<u>379,932</u>	<u>2,803</u>	<u>638,921</u>
<b>NET CHANGE IN CASH BALANCE</b>	(180,086)	(34,451)	1,331	70,674	44,162	(98,370)
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<u>766,479</u>	<u>413,488</u>	<u>25,322</u>	<u>(19,679)</u>	<u>(90,812)</u>	<u>1,094,798</u>
<b>CASH BALANCE, END OF YEAR</b>	<u>\$ 586,393</u>	<u>\$ 379,037</u>	<u>\$ 26,653</u>	<u>\$ 50,995</u>	<u>\$ (46,650)</u>	<u>\$ 996,428</u>
<b>CASH BASIS FUND BALANCE</b>						
Reserved:						
Deposits	\$ 15,310	\$ 4,032	\$ 11,684	\$ -	\$ -	\$ 31,026
Debt service	177,152	224,579	-	382,692	-	784,423
Other purposes	393,931	-	14,969	-	-	408,900
Unreserved	<u>-</u>	<u>150,426</u>	<u>-</u>	<u>(331,697)</u>	<u>(46,650)</u>	<u>(227,921)</u>
Total cash basis fund balance	<u>\$ 586,393</u>	<u>\$ 379,037</u>	<u>\$ 26,653</u>	<u>\$ 50,995</u>	<u>\$ (46,650)</u>	<u>\$ 996,428</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, 2009

	<u>Electric Revenue Bonds 98</u>	<u>Electric Revenue Bonds</u>	<u>2006 Electric Substation</u>
<b>OPERATING RECEIPTS:</b>			
Miscellaneous	\$ -	\$ -	\$ -
<b>OPERATING DISBURSEMENTS:</b>			
Business type activities:			
Electric	<u>201</u>	<u>-</u>	<u>-</u>
Deficiency of operating receipts over operating disbursements	<u>(201)</u>	<u>-</u>	<u>-</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>			
Interest on investments	173	-	389
Debt service	<u>(424,026)</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>(423,853)</u>	<u>-</u>	<u>389</u>
Excess (deficiency) of receipts over (under) disbursements	(424,054)	-	389
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	282,951	-	-
Operating transfers out	<u>(116,439)</u>	<u>(92)</u>	<u>-</u>
<b>NET CHANGE IN CASH BALANCE</b>	(257,542)	(92)	389
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<u>257,542</u>	<u>92</u>	<u>176,763</u>
<b>CASH BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,152</u>
<b>CASH BASIS FUND BALANCE:</b>			
Reserved:			
Deposits	\$ -	\$ -	\$ -
Debt service	-	-	177,152
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,152</u>

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>
\$ -	\$ -	\$ -	\$ -	\$ 12,540	\$ 12,540
-	-	-	-	11,720	11,921
-	-	-	-	820	619
2	18	8,135	2,874	310	11,901
-	-	-	-	-	(424,026)
2	18	8,135	2,874	310	(412,125)
2	18	8,135	2,874	1,130	(411,506)
65,000	-	-	-	-	347,951
-	-	-	-	-	(116,531)
65,002	18	8,135	2,874	1,130	(180,086)
(54,420)	8,434	168,406	195,482	14,180	766,479
<u>\$ 10,582</u>	<u>\$ 8,452</u>	<u>\$ 176,541</u>	<u>\$ 198,356</u>	<u>\$ 15,310</u>	<u>\$ 586,393</u>
\$ -	\$ -	\$ -	\$ -	\$ 15,310	\$ 15,310
-	-	-	-	-	177,152
10,582	8,452	176,541	198,356	-	393,931
<u>\$ 10,582</u>	<u>\$ 8,452</u>	<u>\$ 176,541</u>	<u>\$ 198,356</u>	<u>\$ 15,310</u>	<u>\$ 586,393</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, 2009

	Water Revenue Bond Reserve	Water Operating	Water Meter Deposits	Totals
<b>OPERATING RECEIPTS:</b>				
Charges for services	\$ -	\$ 495,572	\$ -	\$ 495,572
Miscellaneous	-	2,346	4,410	6,756
	-	497,918	4,410	502,328
<b>OPERATING DISBURSEMENTS:</b>				
Business type activities:				
Water	300	390,589	4,467	395,356
Excess (deficiency) of operating receipts over (under) operating disbursements	(300)	107,329	(57)	106,972
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>				
Interest on investments	409	433	10	852
Debt service	(167,041)	-	-	(167,041)
Net nonoperating receipts (disbursements)	(166,632)	433	10	(166,189)
Excess (deficiency) of receipts over (under) disbursements	(166,932)	107,762	(47)	(59,217)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	199,629	146	-	199,775
Operating transfers out	-	(175,009)	-	(175,009)
Net other financing sources (uses)	199,629	(174,863)	-	24,766
<b>NET CHANGE IN CASH BALANCE</b>	32,697	(67,101)	(47)	(34,451)
<b>CASH BALANCE, BEGINNING OF YEAR</b>	191,882	217,527	4,079	413,488
<b>CASH BALANCE, END OF YEAR</b>	\$ 224,579	\$ 150,426	\$ 4,032	\$ 379,037

	Water Revenue Bond Reserve	Water Operating	Water Meter Deposits	Totals
<b>CASH BASIS FUND BALANCE:</b>				
Reserved:				
Deposits	\$ -	\$ -	\$ 4,032	\$ 4,032
Debt service	224,579	-	-	224,579
Unreserved	-	150,426	-	150,426
Total cash basis fund balance	\$ 224,579	\$ 150,426	\$ 4,032	\$ 379,037

## 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, 2009

	<u>Gas D.E.I.</u>	<u>Gas Meter Deposits</u>	<u>Totals</u>
<b>OPERATING RECEIPTS:</b>			
Miscellaneous	\$ -	\$ 13,185	\$ 13,185
<b>OPERATING DISBURSEMENTS:</b>			
Business type activities:			
Gas	<u>-</u>	<u>12,029</u>	<u>12,029</u>
Excess of operating receipts over operating disbursements	-	1,156	1,156
<b>NONOPERATING RECEIPTS:</b>			
Interest on investments	<u>158</u>	<u>17</u>	<u>175</u>
Excess of receipts over disbursements	158	1,173	1,331
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<u>14,811</u>	<u>10,511</u>	<u>25,322</u>
<b>CASH BALANCE, END OF YEAR</b>	<u>\$ 14,969</u>	<u>\$ 11,684</u>	<u>\$ 26,653</u>
<b>CASH BASIS FUND BALANCE:</b>			
Reserved:			
Deposits	\$ -	\$ 11,684	\$ 11,684
Other purposes	<u>14,969</u>	<u>-</u>	<u>14,969</u>
Total cash basis fund balance	<u>\$ 14,969</u>	<u>\$ 11,684</u>	<u>\$ 26,653</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, 2009

	<u>Wastewater Debt Service</u>	<u>1994 Sewer/Water Debt Service</u>	<u>Wastewater Project</u>	<u>Water Tower Project</u>	<u>Totals</u>
<b>OPERATING RECEIPTS:</b>					
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
<b>OPERATING DISBURSEMENTS:</b>					
Business type activities:					
Wastewater	<u>6,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,598</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(6,598)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,598)</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>					
Interest on investments	791	2	358	-	1,151
Debt service	(210,170)	(1)	-	-	(210,171)
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,640)</u>	<u>(93,640)</u>
Net nonoperating receipts (disbursements):	<u>(209,379)</u>	<u>1</u>	<u>358</u>	<u>(93,640)</u>	<u>(302,660)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(215,977)</u>	<u>1</u>	<u>358</u>	<u>(93,640)</u>	<u>(309,258)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	701,566	-	262,019	321,462	1,285,047
Operating transfers out	<u>(424,194)</u>	<u>(1,170)</u>	<u>(479,751)</u>	<u>-</u>	<u>(905,115)</u>
Net other financing sources (uses)	<u>277,372</u>	<u>(1,170)</u>	<u>(217,732)</u>	<u>321,462</u>	<u>379,932</u>
<b>NET CHANGE IN CASH BALANCE</b>	61,395	(1,169)	(217,374)	227,822	70,674
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<u>321,297</u>	<u>1,169</u>	<u>217,374</u>	<u>(559,519)</u>	<u>(19,679)</u>
<b>CASH BALANCE, END OF YEAR</b>	<u>\$ 382,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (331,697)</u>	<u>\$ 50,995</u>
<b>CASH BASIS FUND BALANCE:</b>					
Reserved:					
Debt service	\$ 382,692	\$ -	\$ -	\$ -	\$ 382,692
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>(331,697)</u>	<u>(331,697)</u>
Total cash basis fund balance	<u>\$ 382,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (331,697)</u>	<u>\$ 50,995</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2009

	<b>Communications</b>		
	<u>Local Access</u>	<u>Airport Operating</u>	<u>Garbage Collection</u>
<b>OPERATING RECEIPTS:</b>			
Intergovernmental	\$ -	\$ 77,686	\$ -
Charges for services	21,914	14,500	350,932
Miscellaneous	-	53,115	1,678
	<u>21,914</u>	<u>145,301</u>	<u>352,610</u>
Total operating receipts			
	<u>21,914</u>	<u>145,301</u>	<u>352,610</u>
<b>OPERATING DISBURSEMENTS:</b>			
Business type activities:			
Communications	3,212	-	-
Airport	-	90,426	-
Garbage	-	-	371,119
Cemetery	-	-	-
	<u>3,212</u>	<u>90,426</u>	<u>371,119</u>
Total operating disbursements			
	<u>3,212</u>	<u>90,426</u>	<u>371,119</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	18,702	54,875	(18,509)
<b>NONOPERATING RECEIPTS:</b>			
Interest on investments	<u>35</u>	<u>3,625</u>	<u>18</u>
Excess (deficiency) of receipts over (under) disbursements	<u>18,737</u>	<u>58,500</u>	<u>(18,491)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	-	2,568	-
Operating transfers out	<u>(15,100)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(15,100)</u>	<u>2,568</u>	<u>-</u>
<b>NET CHANGE IN CASH BALANCE</b>	3,637	61,068	(18,491)
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<u>20,558</u>	<u>(96,531)</u>	<u>7,410</u>
<b>CASH BALANCE, END OF YEAR</b>	<u>\$ 24,195</u>	<u>\$ (35,463)</u>	<u>\$ (11,081)</u>
<b>CASH BASIS FUND BALANCE:</b>			
Unreserved	<u>\$ 24,195</u>	<u>\$ (35,463)</u>	<u>\$ (11,081)</u>

Schedule 9

<u>Cemetery Enterprise</u>	<u>Totals</u>
\$ 1,446	\$ 79,132
16,250	403,596
<u>5,436</u>	<u>60,229</u>
<u>23,132</u>	<u>542,957</u>
-	3,212
-	90,426
-	371,119
<u>48,702</u>	<u>48,702</u>
<u>48,702</u>	<u>513,459</u>
(25,570)	29,498
<u>8,183</u>	<u>11,861</u>
<u>(17,387)</u>	<u>41,359</u>
15,335	17,903
<u>-</u>	<u>(15,100)</u>
<u>15,335</u>	<u>2,803</u>
(2,052)	44,162
<u>(22,249)</u>	<u>(90,812)</u>
<u>\$ (24,301)</u>	<u>\$ (46,650)</u>
<u>\$ (24,301)</u>	<u>\$ (46,650)</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, 2009

	<b>Central Garage</b>	<b>PSF Health Insurance</b>	<b>City Reserve</b>
<b>OPERATING RECEIPTS:</b>			
Miscellaneous	\$ 28,122	\$ 69,460	\$ -
<b>OPERATING DISBURSEMENTS:</b>			
General government	169,479	74,018	-
Excess (deficiency) of operating receipts over (under) operating disbursements	(141,357)	(4,558)	-
<b>NONOPERATING RECEIPTS:</b>			
Interest on investments	207,346	-	18,949
Rents	-	-	-
Net nonoperating receipts	207,346	-	18,949
Excess (deficiency) of receipts over (under) disbursements	65,989	(4,558)	18,949
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,000	-	-
Interfund loan proceeds	-	-	17,664
Interfund loan advance	-	-	-
Net other financing sources (uses)	2,000	-	17,664
<b>NET CHANGE IN CASH BALANCE</b>	67,989	(4,558)	36,613
<b>CASH BALANCE, BEGINNING OF YEAR</b>	(74,484)	(1,100)	192,100
<b>CASH BALANCE, END OF YEAR</b>	\$ (6,495)	\$ (5,658)	\$ 228,713
<b>CASH BASIS FUND BALANCE:</b>			
Reserved:			
Other purposes	\$ (6,495)	\$ (5,658)	\$ 228,713

Schedule 10

<u>Administrative Services</u>	<u>Payroll Account</u>	<u>Totals</u>
\$ 132,400	\$ 237	\$ 230,219
<u>114,393</u>	<u>-</u>	<u>357,890</u>
<u>18,007</u>	<u>237</u>	<u>(127,671)</u>
2	-	226,297
<u>-</u>	<u>-</u>	<u>-</u>
<u>2</u>	<u>-</u>	<u>226,297</u>
<u>18,009</u>	<u>237</u>	<u>98,626</u>
-	-	2,000
-	-	17,664
<u>(17,664)</u>	<u>-</u>	<u>(17,664)</u>
<u>(17,664)</u>	<u>-</u>	<u>2,000</u>
345	237	100,626
<u>5,906</u>	<u>(24)</u>	<u>122,398</u>
<u>\$ 6,251</u>	<u>\$ 213</u>	<u>\$ 223,024</u>
<u>\$ 6,251</u>	<u>\$ 213</u>	<u>\$ 223,024</u>

**CITY OF TIPTON**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2009**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Street improvement	November 12, 2008	2.75-4.15%	\$ 638,459
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
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>
\$ - <u>805,000</u>	\$ 638,459 <u>-</u>	\$ 80,000 <u>150,000</u>	\$ 558,459 <u>655,000</u>	\$ 13,336 <u>28,610</u>	\$ - <u>-</u>
<u>805,000</u>	<u>638,459</u>	<u>230,000</u>	<u>1,213,459</u>	<u>41,946</u>	<u>-</u>
2,639,000	-	131,000	2,508,000	79,170	-
415,000 <u>1,305,000</u>	- <u>-</u>	415,000 <u>105,000</u>	- <u>1,200,000</u>	9,026 <u>62,041</u>	- <u>-</u>
<u>4,359,000</u>	<u>-</u>	<u>651,000</u>	<u>3,708,000</u>	<u>150,237</u>	<u>-</u>
<u>525,000</u>	<u>-</u>	<u>275,000</u>	<u>250,000</u>	<u>21,000</u>	<u>-</u>
<u>\$ 5,689,000</u>	<u>\$ 638,459</u>	<u>\$ 1,156,000</u>	<u>\$ 5,171,459</u>	<u>\$ 213,184</u>	<u>\$ -</u>

## CITY OF TIPTON

## Bond and Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Debt				Anticipatory Note	
	2008 Street Improvement Issued Nov. 12, 2008		2003 Street Improvement Issued May 1, 2003		Issued May 2, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	3.00 %	\$ 90,000	3.35 %	\$ 155,000	4.00 %	\$ 250,000
2011	3.25 %	90,000	3.55 %	160,000		-
2012	3.50 %	95,000	3.75 %	165,000		-
2013	3.75 %	95,000	3.90 %	175,000		-
2014	4.00 %	100,000		-		-
2015	4.15 %	88,459		-		-
2016		-		-		-
2017		-		-		-
<b>Total</b>		<b>\$ 558,459</b>		<b>\$ 655,000</b>		<b>\$ 250,000</b>

Year Ending June 30,	Revenue Debt			
	Water Revenue Note Issued October 1, 2002		Sewer Revenue Note Issued June 30, 2003	
	Interest Rates	Amount	Interest Rates	Amount
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		-	3.00 %	204,000
<b>Total</b>		<b>\$1,200,000</b>		<b>\$2,508,000</b>

## CITY OF TIPTON

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

For the last five years

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>RECEIPTS:</b>					
Property tax	\$ 946,333	\$ 891,603	\$ 850,516	\$ 803,190	\$ 743,605
Tax increment financing collections	195,347	217,895	205,164	190,052	190,192
Other city tax	213,927	254,739	161,840	122,778	179,993
Licenses and permits	2,752	2,382	3,018	3,284	4,895
Use of money and property	33,043	55,653	106,135	95,100	70,247
Intergovernmental	356,288	623,166	543,011	485,671	752,268
Charges for services	321,711	271,547	276,239	247,844	208,929
Special assessments	118,011	72,766	61,562	14,012	26,228
Miscellaneous	<u>393,094</u>	<u>386,325</u>	<u>669,881</u>	<u>339,310</u>	<u>2,632,575</u>
Total	<u>\$ 2,580,506</u>	<u>\$ 2,776,076</u>	<u>\$ 2,877,366</u>	<u>\$ 2,301,241</u>	<u>\$ 4,808,932</u>
<b>DISBURSEMENTS:</b>					
Operating:					
Public safety	\$ 678,745	\$ 638,724	\$ 723,533	\$ 782,320	\$ 586,004
Public works	435,441	415,650	462,406	324,841	434,109
Culture and recreation	813,703	724,830	587,047	587,171	373,104
Community and economic development	204,044	206,325	73,788	-	51,291
General government	215,058	253,301	255,852	311,842	320,203
Debt service	568,547	600,297	592,008	416,710	266,375
Capital projects	<u>1,169,501</u>	<u>982,900</u>	<u>895,413</u>	<u>1,135,574</u>	<u>5,597,107</u>
Total	<u>\$ 4,085,039</u>	<u>\$ 3,822,027</u>	<u>\$ 3,590,047</u>	<u>\$ 3,558,458</u>	<u>\$ 7,628,193</u>

See accompanying independent auditor's report.



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

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, 2009, which collectively comprise the City of Tipton, Iowa's basic financial statements and have issued our report thereon dated April 19, 2010. 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, including a deficiency we consider to be a material weakness.

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-2009, 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, 2009, 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  
April 19, 2010

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2009

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?   x   yes        no
- Significant deficiency (ies) identified that are not considered to be material weaknesses?   x   yes        no
- Noncompliance material to financial statements noted?        yes   x   no

PART II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

II-A-2009 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, subsequent to year end some duties have been segregated and the City will continue to look for ways to realign and reassign duties where practical.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2009

**PART II - FINANCIAL STATEMENT FINDINGS** (CONTINUED)

**MATERIAL WEAKNESS** (CONTINUED)

**II-A-2009 SEGREGATION OF DUTIES IN THE ACCOUNTING FUNCTION** (CONTINUED)

*Conclusion:* Response accepted.

**SIGNIFICANT DEFICIENCY**

**II-B-2009 RELIANCE ON INDEPENDENT AUDITORS**

*Criteria:* The City cannot rely on independent auditors as a part of their internal control system, including, but not limited to, assistance with journal entries and drafting the financial statements.

*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. In addition, journal entries to adjust accounts were proposed by the independent auditors.

*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 year end balances, 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 these conditions, 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 adjusted balances and 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. We also recommend that all accounts be adjusted prior to the trial balance being given to the auditors.

*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. As a result, the City of Tipton has relied on the independent auditor to identify disclosures required in the financial statements. We will review year end balances prior to transmission of the trial balance to auditor.

*Conclusion:* Response accepted.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2009

**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-2009 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amount budgeted.

III-B-2009 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-2009 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-2009 Business Transactions - We noted the following business transactions between the City and City officials or employees:

Dean Anderson - Tipton Greenhouse                      \$ 406.85

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

III-E-2009 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-2009 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 by resolution. Subsequent to year end this has been implemented.

Response - We will approve all full time employee wages.

Conclusion - Response accepted.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2009

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

III-G-2009 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-2009 Financial Condition - The following funds had deficit balances at June 30, 2009:

General Fund	\$ (200,097)
Special Revenue:	
Aquatic Campaign	(174,761)
Library Trust	(7,441)
Capital Projects:	
Aquatic Center Project	(486,357)
Streetscapes Project	(446,429)
GO Street Improvement 03	(351,899)
Enterprise:	
Water Tower Project	(331,697)
Garbage Collection	(11,081)
Airport	(35,463)
Cemetery	(24,301)
Internal Service:	
Central Garage	(6,495)
PSF Health Insurance	(5,658)

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

Andrew Johnson, CPA

Joshua Barta

Christi O'Dell

Alan Moran