



CITY OF TIPTON, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2010



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CITY OF TIPTON

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shirley Kepford	Mayor	December 2011
Bob Klemme	1 st Ward Council Person	December 2011
Dean Anderson	2 nd Ward Council Person	December 2013
Dawn Siech	3 rd Ward Council Person	December 2011
Donald McGlaughlin	At Large Council Person	December 2011
David Fry	At Large Council Person	December 2013
Doug Boldt	City Manager	
Lorna Fletcher	Finance Officer/ City Clerk	
Steve Nash	Director of Public Works	
Virgil Penrod	Gas Superintendent	
John Packwood	Electric Superintendent	
Heath Holub	Chief of Police	
L.E. Dendinger	City Attorney	
Marvin Miller	Zoning Administrator	
Terry Goerd	Building Inspector	

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tipton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2011 on our consideration of City of Tipton's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 19 and 43 through 45 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted 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 five years ended June 30, 2009 (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 the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Cedar Rapids, Iowa
March 21, 2011

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, 2010. Readers are encouraged to consider this information in conjunction with the City's financial statements which follow.

2010 FINANCIAL HIGHLIGHTS

- The City's total cash basis net assets decreased by 24.8% at the close of fiscal year 2010, or \$1,022,454. Governmental activities cash basis net assets decreased by \$775,350.
- City governmental activities revenues increased by \$2,172,323, or 62.4%, when compared to fiscal year 2009. Significant changes were due to transfers and bond proceeds received.
- General government activities expenditures increased by \$1,988,791, or 44.8%, during this same period. That increase was due to a street improvement project, which includes street, water, sanitary and storm sewer improvements.
- Business type activities (the City's enterprise funds) operating revenues decreased by \$658,654, or 8.7%, and direct operating expenses decreased by \$390,389 or 5.6% when compared to the prior year.
- The City has \$5,273,256 in long term debt compared to \$5,183,000 at the close of fiscal year 2009. The change between years is the required debt service payments netted with the issuance of two new notes.

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 Net Assets - Cash Basis (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 Governmental 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 Funds 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 - budget to actual (cash basis) for all governmental and proprietary funds.
- Other Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

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 accounting principles generally accepted in the United States of America. 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. 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 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 TIF Capital Improvement, 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 balances.
- 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

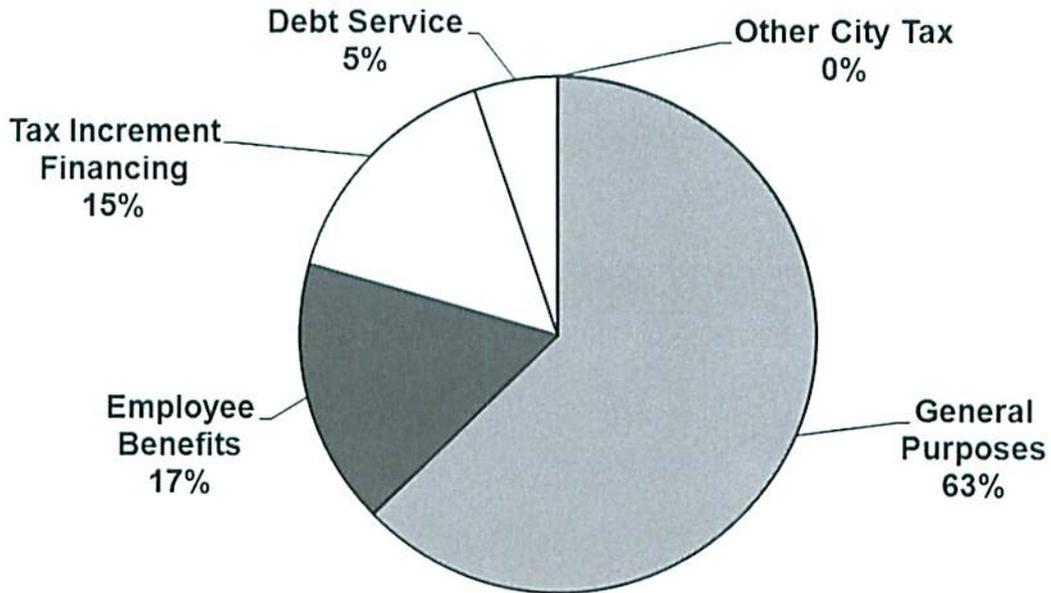
Net assets may serve, over time, as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$(2,772) to \$(778,122). The analysis that follows focuses on the changes in cash basis net assets of governmental activities:

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

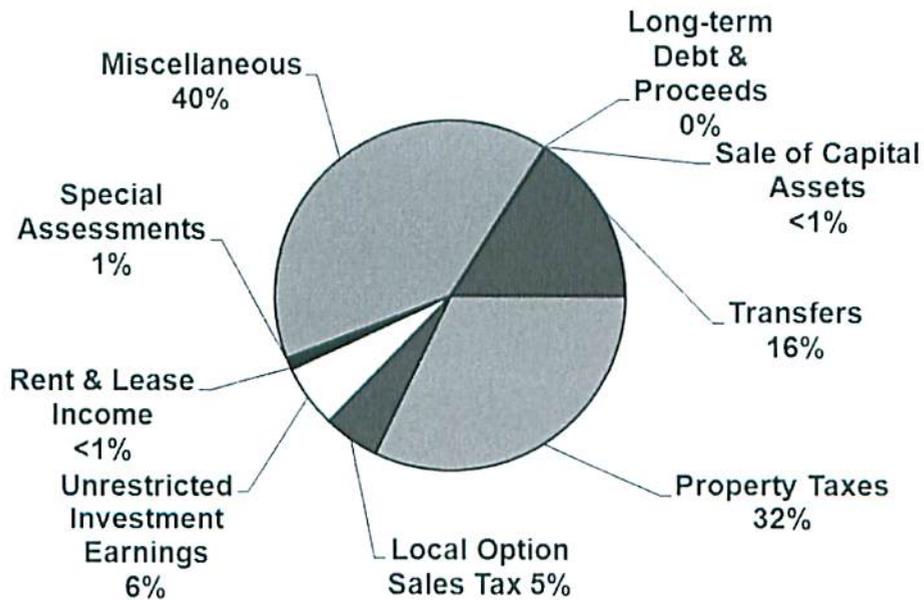
GOVERNMENTAL ACTIVITIES

	June 30, <u>2010</u>	June 30, <u>2009</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 323,732	\$ 342,324
Operating grants, contributions and restricted interest	1,292,339	599,632
Capital grants, contributions and restricted interest	-	47,625
General receipts:		
Property tax	1,206,794	1,140,925
Other city tax	76	7,774
Local Option Sales Tax	192,160	206,906
Unrestricted investment earnings	217,895	263,283
Rent and lease income	9,683	5,059
Special assessments	32,802	71,179
Miscellaneous	281,552	352,315
Debt proceeds	1,499,511	638,459
Interfund loans	-	(56,531)
Sale of assets	4,189	-
Transfers, net	<u>595,636</u>	<u>(134,904)</u>
Total receipts and transfers	<u>5,656,369</u>	<u>3,484,046</u>
Disbursements:		
General government:		
Public safety	1,099,997	678,745
Public works	480,392	435,441
Culture and recreation	711,495	813,703
Community and economic development	226,975	204,044
General government	569,017	572,948
Debt service	1,224,387	568,547
Capital projects	<u>2,119,457</u>	<u>1,169,501</u>
Total general government disbursements	<u>6,431,720</u>	<u>4,442,929</u>
Change in Cash Basis Net Assets	(775,350)	(958,883)
Cash Basis Net Assets, Beginning of Year	<u>(2,772)</u>	<u>956,108</u>
Cash Basis Net Assets, End of Year	<u>\$ (778,122)</u>	<u>\$ (2,772)</u>

Property Tax Levies



Receipts by Source

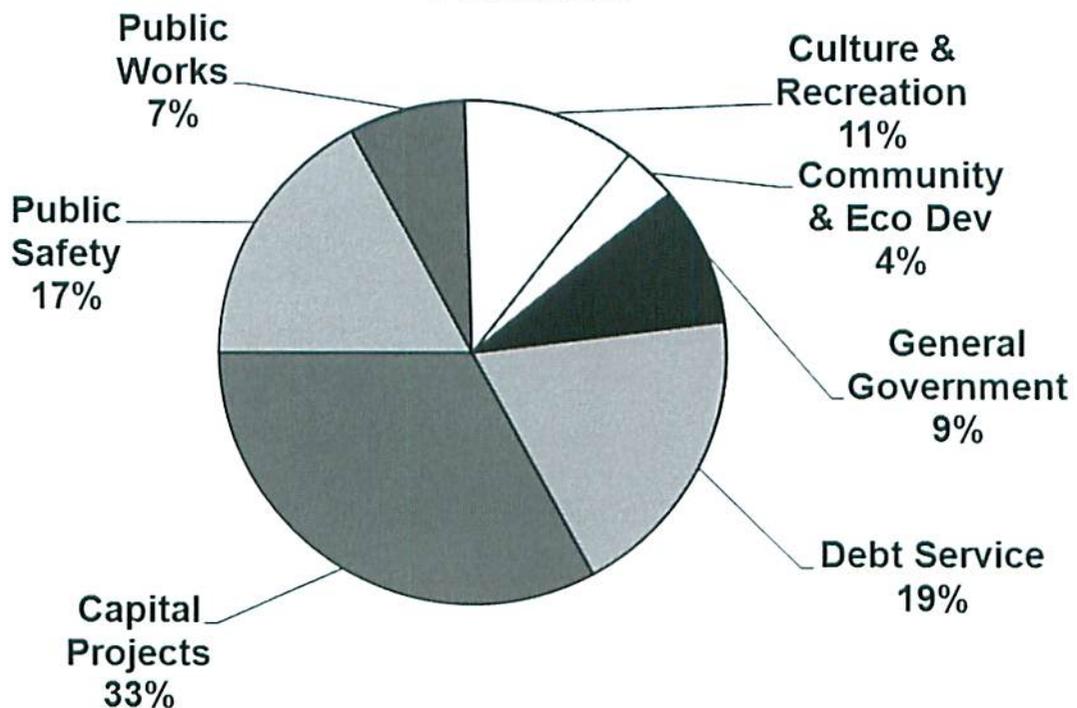


The City's total receipts for governmental activities increased by \$2,172,323 from the previous year. The total cost of all programs increased by \$1,988,791 with no new programs added during the year, but there was an increase in capital project expenditures.

The City increased the property tax rates for 2010 by 0.005%. The increase was due primarily to the increase in general operations of the City. 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 \$6,431,720, compared to \$4,442,929 last year. The amount financed by taxpayers was \$4,815,648. The remainder was financed by charges for services for those directly benefiting from the programs of \$323,732 or by other governments or organizations that subsidized certain programs with grants, contributions, and restricted interest of \$1,292,339.

Government Activities, Disbursement by Function



STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

BUSINESS TYPE ACTIVITIES

	June 30, <u>2010</u>	June 30, <u>2009</u>
Receipts:		
Program receipts:		
Charges for service	\$6,706,461	\$7,297,658
Operating grants, contributions and restricted interest	60,088	108,343
General receipts:		
Unrestricted investment earnings	62,857	75,861
Rent and lease income	3,600	8,398
Miscellaneous	<u>53,705</u>	<u>55,105</u>
Total receipts	<u>6,886,711</u>	<u>7,545,365</u>
Disbursements and transfers:		
Electric	3,356,792	3,449,212
Water	525,288	562,397
Gas	1,651,314	1,843,183
Wastewater	469,969	560,317
Communications	3,129	3,212
Airport	90,137	90,426
Garbage	390,378	371,119
Cemetery	<u>51,172</u>	<u>48,702</u>
Total disbursements	6,538,179	6,928,568
Interfund loans net	-	(56,531)
Transfers, net	<u>595,636</u>	<u>(134,904)</u>
Total disbursements and transfers	<u>7,133,815</u>	<u>6,737,133</u>
 Change in Cash Basis Net Assets	 (247,104)	 808,232
Cash Basis Net Assets, Beginning of Year	<u>4,130,921</u>	<u>3,322,689</u>
Cash Basis Net Assets, End of Year	<u>\$3,883,817</u>	<u>\$4,130,921</u>

Total business type activities receipts for the fiscal year were \$6,886,711 compared to \$7,545,365 last year. This change was due primarily to more favorable gas and electric purchases. Total disbursements and transfers for the fiscal year were \$7,133,815 compared to \$6,737,133 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed this year, its governmental funds reported a combined fund balance of \$(890,816) a decrease over last year's total of \$(225,707). 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 increased \$144,598 from the prior year to a deficit fund balance of \$(55,498). The City continues to correct its General Fund deficit balance.
2. The Road Use Tax (RUT) Fund cash balance increased \$91,412 from the prior year to \$530,685. This increase was attributable to the State of Iowa's allocation increasing \$1.50 per capita and less RUT was used this year for maintenance.
3. The TIF Capital Improvement Fund cash balance decreased \$33,321 from the prior year to \$186,629. The decrease was due to the addition of a new development agreement and an internal advance.
4. The Economic/Industrial Development Fund cash balance increased \$75,354 from the prior year to \$272,419. The increase was the result of the retirement of another development agreement.
5. The Ambulance Trust Fund cash balance increased \$3,532 from the prior year to \$300,055. The increase was attributable to slightly more revenue.
6. The GO Street Improvement 2003 Fund decreased \$565,327 from the prior year to a deficit fund balance of \$(917,226). The decrease was due to improvements to the streets, water, sanitary, and storm sewers in connection with the Highway 38 and Highway 130 reconstruction project. The City is still waiting on final IDOT reimbursements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

1. The Electric Operating Fund cash balance decreased \$125,234 to \$1,378,210 due to the expenses of the Additional Standby Generation Project.
2. The Electric Bond Fund cash balance increased \$75,016 to \$693,825 due to the preparation of the above stated project.
3. The Gas Operating Fund cash balance increased \$15,418 to \$50,983 due to a gas rate increase that was put into effect in the spring of 2009.
4. The Gas Surplus Fund cash balance decreased \$35,354 to \$437,501 due to the use of investment interest revenue.
5. The Additional Generation Fund cash balance increased \$389,250 due to the preparation of the project. At year end the balance was \$389,250.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time which resulted in an increase in budgeted receipts of \$1,732,329 and budgeted disbursements of \$3,231,840 to provide for additional disbursements in certain City departments.

DEBT ADMINISTRATION

On June 30, 2010, the City had \$5,273,256 in bonds and other long-term debt, compared to \$5,183,000 at the beginning of the year.

Outstanding debt at June 30, 2010, and 2009

	<u>2010</u>	<u>2009</u>
General Obligation Notes:		
Street improvements	\$ 480,000	\$ 570,000
Street improvements	500,000	655,000
Fire truck acquisition	<u>319,295</u>	<u>-</u>
Total	<u>1,299,295</u>	<u>1,225,000</u>
Revenue Bonds:		
Sewer revenue	2,373,000	2,508,000
Revenue Notes:		
Water revenue	<u>1,090,000</u>	<u>1,200,000</u>
Total	<u>3,463,000</u>	<u>3,708,000</u>
Anticipatory Obligation Notes:		
FAC anticipatory note	-	250,000
Street construction	<u>510,961</u>	<u>-</u>
Total	<u>510,961</u>	<u>250,000</u>
Total indebtedness	<u>\$5,273,256</u>	<u>\$5,183,000</u>

Debt increased as a result of the fire truck acquisition note and the street construction anticipatory note. 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 \$1,299,295 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 and there are no signs that such sharing will return to previous levels.

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, in 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 11.9% of the City's total budget and 52.7% 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 2011 budget, tax rates, and fees that will be charged for various City activities. The City and surrounding county have seen a decrease in the last year in the unemployment rate, which is slightly below the state average (5.6% versus 6.3%). The median household income of \$42,198 still remains above the state average of \$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 natural gas and electric rates have helped keep the index low as it compares nationally. Energy prices are, however, predicted to show a steady rise, especially in fuel pump (gas) prices.

These indicators were taken into account when adopting the budget for FY 2011.

Revenues, 2010-2011

The City's property tax grew based on a 7.0% 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 \$2.02215/\$1,000 to \$1.46758/\$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 \$161,796 to \$1,179,542.

A 1% annual increase in electric rates may take effect in May 2011. 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, 2010-2011

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, 2011 and thereafter

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. A portion of this project has changed as the City has decided to pursue a FEMA Safe Room Grant as part of this project.

The City still faces proportional operating costs based upon its .5% ownership of the Louisa Generation Station (LGS).

The City has purchased additional standby generation. This project is very close to completion. The City currently owns four mega-watts 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, the City continues to be in contact with ITC and hopes 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. Because of that increase, the City reassessed its insurance policy, bought a higher deductible and stopped certain co-pay reimbursements to trim down the increase to about 6%.

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, 2010

FUNCTIONS/PROGRAMS:	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Governmental activities:			
Public safety	\$ 1,099,997	\$ 196,298	\$ 66,321
Public works	480,392	94	301,513
Culture and recreation	711,495	121,217	86,688
Community and economic development	226,975	-	37,689
General government	569,017	6,123	6,582
Debt service	1,224,387	-	-
Capital projects	2,119,457	-	793,547
Total governmental activities	<u>6,431,720</u>	<u>323,732</u>	<u>1,292,339</u>
Business type activities:			
Electric	3,356,792	3,690,307	8,034
Water	525,288	472,783	8,522
Gas	1,651,314	1,645,344	8,050
Wastewater	469,969	448,365	2,385
Communications	3,129	-	-
Airport	90,137	47,889	29,680
Garbage	390,378	381,433	1,699
Cemetery	51,172	20,340	1,718
Total business type activities	<u>6,538,179</u>	<u>6,706,461</u>	<u>60,088</u>
Total	<u>\$ 12,969,899</u>	<u>\$ 7,030,193</u>	<u>\$ 1,352,427</u>

GENERAL RECEIPTS AND TRANSFERS:

Property and other city tax levied for:
 General purposes
 Employee benefits
 Debt service
Tax increment financing
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</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (837,378)	\$ -	\$ (837,378)
(178,785)	-	(178,785)
(503,590)	-	(503,590)
(189,286)	-	(189,286)
(556,312)	-	(556,312)
(1,224,387)	-	(1,224,387)
<u>(1,325,910)</u>	<u>-</u>	<u>(1,325,910)</u>
<u>(4,815,648)</u>	<u>-</u>	<u>(4,815,648)</u>
-	341,549	341,549
-	(43,983)	(43,983)
-	2,080	2,080
-	(19,219)	(19,219)
-	(3,129)	(3,129)
-	(12,568)	(12,568)
-	(7,246)	(7,246)
-	(29,114)	(29,114)
<u>-</u>	<u>228,370</u>	<u>228,370</u>
<u>(4,815,648)</u>	<u>228,370</u>	<u>(4,587,278)</u>
756,534	-	756,534
201,713	-	201,713
63,400	-	63,400
185,147	-	185,147
76	-	76
192,160	-	192,160
217,895	62,857	280,752
9,683	3,600	13,283
32,802	-	32,802
281,552	53,706	335,258

(continued)

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Bond proceeds			
Sale of assets			
Interfund loan proceeds			
Interfund loan advances			
Transfers in			
Transfers out			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS, BEGINNING OF YEAR			
CASH BASIS NET ASSETS, END OF YEAR			
CASH BASIS NET ASSETS:			
Restricted:			
Streets			
Deposits			
Debt service			
Capital improvement			
Economic development			
Other purposes			
Unrestricted			
TOTAL CASH BASIS NET ASSETS			

CITY OF TIPTON

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

As of and for the year ended June 30, 2010

	<u>General</u>	<u>Road Use Tax</u>	<u>Special TIF Capital Improvement</u>
RECEIPTS:			
Property tax	\$ 756,540	\$ -	\$ -
Tax increment financing	-	-	185,147
Other city tax	69	-	-
Licenses and permits	5,872	-	-
Use of money and property	14,794	-	1,622
Intergovernmental	64,690	292,663	-
Charges for service	298,786	-	-
Special assessments	5,561	-	-
Miscellaneous	81,558	-	-
	<u>1,227,870</u>	<u>292,663</u>	<u>186,769</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	755,302	-	-
Public works	458,326	22,066	-
Culture and recreation	710,419	-	-
Community and economic development	72,651	-	143,429
General government	130,292	-	1,661
Debt service	-	-	-
Capital projects	-	-	-
	<u>2,126,990</u>	<u>22,066</u>	<u>145,090</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(899,120)</u>	<u>270,597</u>	<u>41,679</u>
OTHER FINANCING SOURCES (USES):			
Bond proceeds	-	-	-
Proceeds from sale of capital assets	-	-	-
Operating transfers in	1,063,718	-	-
Operating transfers out	<u>(20,000)</u>	<u>(179,185)</u>	<u>(75,000)</u>
Net other financing sources (uses)	<u>1,043,718</u>	<u>(179,185)</u>	<u>(75,000)</u>

<u>Revenue</u>		<u>Capital Project</u>		
<u>Economic/ Industrial Development</u>	<u>Ambulance Trust</u>	<u>GO Street Improvement 2003</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 265,113	\$ 1,021,653
-	-	-	-	185,147
-	-	-	192,161	192,230
-	-	-	-	5,872
560	7,099	238	2,998	27,311
-	-	674,039	-	1,031,392
-	-	-	-	298,786
-	6,017	-	70,851	82,429
<u>35,689</u>	<u>600</u>	<u>-</u>	<u>120,568</u>	<u>238,415</u>
<u>36,249</u>	<u>13,716</u>	<u>674,277</u>	<u>651,691</u>	<u>3,083,235</u>
-	30,184	-	314,511	1,099,997
-	-	-	-	480,392
-	-	-	1,076	711,495
10,895	-	-	-	226,975
-	-	-	-	131,953
-	-	674,039	550,348	1,224,387
<u>-</u>	<u>-</u>	<u>1,750,565</u>	<u>368,892</u>	<u>2,119,457</u>
<u>10,895</u>	<u>30,184</u>	<u>2,424,604</u>	<u>1,234,827</u>	<u>5,994,656</u>
<u>25,354</u>	<u>(16,468)</u>	<u>(1,750,327)</u>	<u>(583,136)</u>	<u>(2,911,421)</u>
-	-	1,185,000	314,511	1,499,511
-	-	-	4,189	4,189
50,000	20,000	-	334,252	1,467,970
<u>-</u>	<u>-</u>	<u>-</u>	<u>(451,173)</u>	<u>(725,358)</u>
<u>50,000</u>	<u>20,000</u>	<u>1,185,000</u>	<u>201,779</u>	<u>2,246,312</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, 2010

	<u>General</u>	<u>Road Use Tax</u>	<u>Special TIF Capital Improvement</u>
NET CHANGE IN CASH BALANCES	144,598	91,412	(33,321)
CASH BALANCES, BEGINNING OF YEAR	(200,096)	439,273	219,950
CASH BALANCES, END OF YEAR	\$ (55,498)	\$ 530,685	\$ 186,629
CASH BASIS FUND BALANCES:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General	(55,498)	-	-
Special revenue funds	-	530,685	186,629
Permanent	-	-	-
Capital project funds	-	-	-
Total cash basis fund balances	\$ (55,498)	\$ 530,685	\$ 186,629

<u>Revenue</u>		<u>Capital Project</u>		
<u>Economic/ Industrial Development</u>	<u>Ambulance Trust</u>	<u>GO Street Improvement 2003</u>	<u>Nonmajor</u>	<u>Total</u>
75,354	3,532	(565,327)	(381,357)	(665,109)
<u>197,065</u>	<u>296,523</u>	<u>(351,899)</u>	<u>(826,523)</u>	<u>(225,707)</u>
<u>\$ 272,419</u>	<u>\$ 300,055</u>	<u>\$ (917,226)</u>	<u>\$ (1,207,880)</u>	<u>\$ (890,816)</u>
\$ -	\$ -	\$ -	\$ 20,728	\$ 20,728
-	-	-	-	(55,498)
272,419	300,055	-	(153,956)	1,135,832
-	-	-	100,314	100,314
<u>-</u>	<u>-</u>	<u>(917,226)</u>	<u>(1,174,966)</u>	<u>(2,092,192)</u>
<u>\$ 272,419</u>	<u>\$ 300,055</u>	<u>\$ (917,226)</u>	<u>\$ (1,207,880)</u>	<u>\$ (890,816)</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, 2010

Total governmental funds cash balances (page 28) \$ (890,816)

***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 Activities and Net Assets.

112,694

Cash basis net assets of governmental activities (page 24) \$ (778,122)

Net change in cash balances (page 28) \$ (665,109)

***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.

(110,241)

**Change in cash basis net assets of governmental activities
(page 24)** \$ (775,350)

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, 2010

	<u>Electric Operating</u>	<u>Electric Bond</u>	<u>Gas Operating</u>	<u>Gas Surplus</u>	<u>Additional Generation</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal Service Funds</u>
OPERATING RECEIPTS:								
Licenses and permits	\$ 1,191	\$ -	\$ 44	\$ -	\$ -	\$ 200	\$ 1,435	\$ -
Intergovernmental	-	-	-	-	-	29,641	29,641	-
Charges for services	3,679,388	-	1,645,301	-	-	1,366,751	6,691,440	-
Miscellaneous	18,072	-	8,138	-	-	71,530	97,740	273,297
Total operating receipts	<u>3,698,651</u>	<u>-</u>	<u>1,653,483</u>	<u>-</u>	<u>-</u>	<u>1,468,122</u>	<u>6,820,256</u>	<u>273,297</u>
OPERATING DISBURSEMENTS:								
General government	-	-	-	-	-	-	-	437,064
Business type activities	2,487,537	-	1,637,984	-	365,479	1,180,012	5,671,012	-
Total operating disbursements	<u>2,487,537</u>	<u>-</u>	<u>1,637,984</u>	<u>-</u>	<u>365,479</u>	<u>1,180,012</u>	<u>5,671,012</u>	<u>437,064</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,211,114</u>	<u>-</u>	<u>15,499</u>	<u>-</u>	<u>(365,479)</u>	<u>288,110</u>	<u>1,149,244</u>	<u>(163,767)</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):								
Interest on investments	13,501	16,221	11,919	29	-	24,785	66,455	200,502
Debt service	-	-	-	-	-	(377,630)	(377,630)	-
Capital projects	-	-	-	-	-	(489,537)	(489,537)	-
Net nonoperating receipts (disbursements)	<u>13,501</u>	<u>16,221</u>	<u>11,919</u>	<u>29</u>	<u>-</u>	<u>(842,382)</u>	<u>(800,712)</u>	<u>200,502</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,224,615</u>	<u>16,221</u>	<u>27,418</u>	<u>29</u>	<u>(365,479)</u>	<u>(554,272)</u>	<u>348,532</u>	<u>36,735</u>
OTHER FINANCING SOURCES (USES):								
Interfund loan proceeds	-	-	-	-	-	-	-	17,664
Interfund loan advances	-	-	-	-	-	-	-	(17,664)
Operating transfers in	20,870	58,795	-	-	754,729	546,093	1,380,487	2,024
Operating transfers out	(1,370,719)	-	(12,000)	(35,383)	-	(558,021)	(1,976,123)	(149,000)
Net other financing sources (uses)	<u>(1,349,849)</u>	<u>58,795</u>	<u>(12,000)</u>	<u>(35,383)</u>	<u>754,729</u>	<u>(11,928)</u>	<u>(595,636)</u>	<u>(146,976)</u>
NET CHANGE IN CASH BALANCES	(125,234)	75,016	15,418	(35,354)	389,250	(566,200)	(247,104)	(110,241)
CASH BALANCES, BEGINNING OF YEAR	<u>1,503,444</u>	<u>618,809</u>	<u>35,565</u>	<u>472,855</u>	<u>-</u>	<u>1,500,248</u>	<u>4,130,921</u>	<u>222,935</u>
CASH BALANCES, END OF YEAR	<u>\$ 1,378,210</u>	<u>\$ 693,825</u>	<u>\$ 50,983</u>	<u>\$ 437,501</u>	<u>\$ 389,250</u>	<u>\$ 934,048</u>	<u>\$ 3,883,817</u>	<u>\$ 112,694</u>

	<u>Electric Operating</u>	<u>Electric Bond</u>	<u>Gas Operating</u>	<u>Gas Surplus</u>	<u>Additional Generation</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal Service Funds</u>
CASH BASIS FUND BALANCES:								
Reserved:								
Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,919	\$ 24,919	\$ -
Debt service	-	693,825	-	-	-	785,428	1,479,253	-
Other purposes	-	-	-	437,501	-	408,381	845,882	112,694
Unreserved	<u>1,378,210</u>	<u>-</u>	<u>50,983</u>	<u>-</u>	<u>389,250</u>	<u>(284,680)</u>	<u>1,533,763</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,378,210</u>	<u>\$ 693,825</u>	<u>\$ 50,983</u>	<u>\$ 437,501</u>	<u>\$ 389,250</u>	<u>\$ 934,048</u>	<u>\$ 3,883,817</u>	<u>\$ 112,694</u>

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

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

(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. The City also provides utility services 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 service.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

B. Basis of Presentation (continued)

Government-wide Financial Statement (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 Tax 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, 2010

(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 Additional Generation Fund is used to account for the additional generator project.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

C. Measurement Focus and Basis of Accounting (continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded budgeted amounts in the debt service function.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2008, to compute the amounts which became liens on property on July 1, 2009. These taxes were due and payable in two installments on September 30, 2009 and March 31, 2010, 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, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

(2) **Cash and Pooled Investments** (continued)

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.

(3) **Bonds and Notes Payable**

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>
2011	\$ 279,000	\$ 46,092	\$ 764,961	\$ 152,389	\$1,043,961	\$ 198,481
2012	289,000	37,544	263,000	113,938	552,000	151,481
2013	300,000	26,056	272,000	103,796	572,000	129,852
2014	130,000	15,693	282,000	93,105	412,000	108,798
2015	131,000	10,685	296,000	81,725	427,000	92,410
2016	32,000	5,495	306,000	69,705	338,000	75,200
2017	33,000	4,423	321,000	56,998	354,000	61,421
2018	34,000	3,318	331,000	43,590	365,000	46,908
2019	35,000	2,475	176,000	34,140	211,000	36,615
2020	36,295	-	181,000	28,860	217,295	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>\$1,299,295</u>	<u>\$ 151,780</u>	<u>\$3,973,961</u>	<u>\$ 837,676</u>	<u>\$5,273,256</u>	<u>\$ 989,455</u>

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

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

General obligation notes issued on June 30, 2010, and subsequently reissued on July 15, 2010, provided funds to pay for the cost of a fire truck.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

(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 \$1,330,780. For the current year, principal and interest paid and total customer net receipts were \$167,390 and \$472,585, 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 1/12th of the next principal payment due and 1/6th of the next interest payment 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, 2010, 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 \$2,941,050. For the current year, principal and interest paid and total customer net receipts were \$210,240 and \$448,365, respectively.

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

- a) The City shall generate net revenues from sewer operations equal to at least 110% of the principal and interest due in the fiscal year.
- b) An amount equal to 1/12th of the next principal payment due and 1/6th of the next interest payment due shall be set aside in a sewer sinking fund on a monthly basis.
- c) 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 fund.

At June 30, 2010, the City was in compliance with all the provisions above.

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

	Transfers Out										Totals	
	General	RUT	TIF Capital		Gas Operating	Gas Surplus	Special Revenue	Nonmajor Enterprise		Capital Projects		Internal Service Funds
Transfers In:												
General	\$ -	\$ -	\$ -	\$ 517,203	\$ -	\$ -	\$ 272,694	\$ 173,821	\$ -	\$ 100,000	\$ 1,063,718	
Ambulance trust	20,000	-	-	-	-	-	-	-	-	-	20,000	
Economic development	-	-	50,000	-	-	-	-	-	-	-	50,000	
Electric bond reserve fund	-	-	-	-	-	-	-	-	58,795	-	58,795	
Nonmajor governmental funds	-	179,185	-	-	-	-	119,684	-	-	-	298,869	
Electric	-	-	-	20,870	-	-	-	-	-	-	20,870	
Additional generation	-	-	-	754,729	-	-	-	-	-	-	754,729	
Cemetery	-	-	-	7,797	12,000	-	-	-	-	-	19,797	
Nonmajor enterprise	-	-	25,000	65,000	-	35,383	-	384,200	-	-	509,583	
Internal service funds	-	-	-	5,120	-	-	-	-	-	49,000	54,120	
	<u>\$ 20,000</u>	<u>\$ 179,185</u>	<u>\$ 75,000</u>	<u>\$ 1,370,719</u>	<u>\$ 12,000</u>	<u>\$ 35,383</u>	<u>\$ 392,378</u>	<u>\$ 558,021</u>	<u>\$ 58,795</u>	<u>\$ 149,000</u>	<u>\$ 2,850,481</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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$103,729, \$98,789 and \$88,275, respectively, equal to the required contributions for each year.

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

(6) Health Insurance

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

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

The City has established an internal service fund to account for and pay its share of this partial self-funding. As of June 30, 2010, 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, 2010 is \$50,032. This liability has been computed based on rates of pay in effect at June 30, 2010, and primarily relates to the General Fund.

(8) Note Receivable

The City entered into a non-interest bearing note receivable agreement with Tipton Economic Development Corporation (TEDCO) to utilize designated economic development funds to promote business development in Tipton. Funds advanced under this agreement cannot exceed \$875,000 and are due in February 2020. The agreement is secured by industrial park land and subject to sales covenants. During the year ended June 30, 2010, the City advanced TEDCO \$10,000. The balance due at June 30, 2010 totaled \$597,888.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

(9) Risk Management

The City 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.

(10) Construction Project Commitments

As of June 30, 2010, the City has various outstanding construction contracts totaling \$1,251,608.

(11) Landfill Commitment

The City of Tipton participates in a 28E organization with Cedar County and other cities in Cedar County. This organization is the Cedar County Solid Waste Commission, which owns and operates a landfill. The landfill has been closed and is in the postclosure stage. The estimated cost of postclosure care is approximately \$140,000, which has been fully funded. Actual postclosure care costs may be different due to inflation, changes in technology, or changes in regulations.

(12) Deficit Fund Balances

The following funds had deficit balances at June 30, 2010:

General Fund	\$ (55,498)
Special Revenue:	
Aquatic Campaign	(316,353)
Library Trust	(7,033)
Capital Projects:	
Aquatic Center Project	(486,357)
Streetscapes Project	(544,530)
GO Street Improvement 2003	(917,226)
Skate Park Project	(45,361)
Fire Station Project	(100,400)
Enterprise:	
Water Tower Project	(306,696)
Garbage Collection	(14,477)
69 KV Substation Project	(413,929)
Cemetery Enterprise	(27,493)
Internal Service:	
PSF Health Insurance	(18,128)

The deficits occurred for various reasons including project costs happening prior to availability of funds. The City plans to issue bonds to accommodate these deficit balances.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

(13) New Accounting Standards

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, 2011. 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 standard will have a significant effect on the City's financial statements.

(14) Subsequent Events

In August 2010, the City authorized an electric revenue loan agreement anticipation project note for an amount not to exceed \$2,500,000, for the purpose of funding the additional generation plant.

Management evaluated subsequent events through March 21, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to March 21, 2011 that provided additional evidence about conditions that existed at June 30, 2010, have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2010.

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, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 1,021,653	\$ -	\$ 1,021,653
Tax increment financing	185,147	-	185,147
Other city tax	192,230	-	192,230
Licenses and permits	5,872	1,435	7,307
Use of money and property	27,311	66,455	93,766
Intergovernmental	1,031,392	29,641	1,061,033
Charges for services	298,786	6,691,440	6,990,226
Special assessments	82,429	-	82,429
Miscellaneous	238,415	97,740	336,155
	<u>3,083,235</u>	<u>6,886,711</u>	<u>9,969,946</u>
Total receipts			
DISBURSEMENTS:			
Public safety	1,099,997	-	1,099,997
Public works	480,392	-	480,392
Culture and recreation	711,495	-	711,495
Community and economic development	226,975	-	226,975
General government	131,953	-	131,953
Debt service	1,224,387	377,630	1,602,017
Capital projects	2,119,457	489,537	2,608,994
Business type activities	-	5,671,012	5,671,012
	<u>5,994,656</u>	<u>6,538,179</u>	<u>12,532,835</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	(2,911,421)	348,532	(2,562,889)
OTHER FINANCING SOURCES (USES)			
	<u>2,246,312</u>	<u>(595,636)</u>	<u>1,650,676</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(665,109)	(247,104)	(912,213)
BALANCES BEGINNING OF YEAR	<u>(225,707)</u>	<u>4,130,921</u>	<u>3,905,214</u>
BALANCES END OF YEAR	<u>\$ (890,816)</u>	<u>\$ 3,883,817</u>	<u>\$ 2,993,001</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
\$ 1,002,548	\$ 1,002,548	\$ 19,105
187,706	187,706	(2,559)
206,693	206,693	(14,463)
3,560	3,560	3,747
888,273	1,322,678	(1,228,912)
578,126	1,641,052	(580,019)
7,389,007	7,590,507	(600,281)
43,500	43,500	38,929
<u>786,040</u>	<u>819,538</u>	<u>(483,383)</u>
<u>11,085,453</u>	<u>12,817,782</u>	<u>(2,847,836)</u>
819,427	1,139,638	39,641
546,815	584,702	104,310
803,450	804,450	92,955
290,776	298,526	71,551
151,469	586,658	454,705
550,548	550,548	(1,051,469)
642,810	2,912,472	303,478
<u>11,851,158</u>	<u>12,011,299</u>	<u>6,340,287</u>
<u>15,656,453</u>	<u>18,888,293</u>	<u>6,355,458</u>
(4,571,000)	(6,070,511)	3,507,622
<u>4,571,000</u>	<u>6,070,511</u>	<u>(4,419,835)</u>
-	-	(912,213)
<u>4,454,495</u>	<u>4,454,495</u>	<u>-</u>
<u>\$ 4,454,495</u>	<u>\$ 4,454,495</u>	<u>\$ (912,213)</u>

See accompanying independent auditor's report.

CITY OF TIPTON

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

June 30, 2010

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 the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine 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 and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$1,732,329 and budgeted disbursements by \$3,231,840. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded budgeted amounts in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TIPTON

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances

Combining Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
RECEIPTS:					
Property tax	\$ 201,713	\$ 63,400	\$ -	\$ -	\$ 265,113
Other city tax	192,161	-	-	-	192,161
Use of money and property	2,849	147	2	-	2,998
Special assessments	54,114	-	16,737	-	70,851
Miscellaneous	123,884	-	-	(3,316)	120,568
Total receipts	<u>574,721</u>	<u>63,547</u>	<u>16,739</u>	<u>(3,316)</u>	<u>651,691</u>
DISBURSEMENTS:					
Operating:					
Public safety	314,511	-	-	-	314,511
Culture and recreation	1,076	-	-	-	1,076
Debt service	260,000	290,348	-	-	550,348
Capital projects	1,100	-	367,792	-	368,892
Total disbursements	<u>576,687</u>	<u>290,348</u>	<u>367,792</u>	<u>-</u>	<u>1,234,827</u>
Deficiency of receipts under disbursements	<u>(1,966)</u>	<u>(226,801)</u>	<u>(351,053)</u>	<u>(3,316)</u>	<u>(583,136)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	227,059	107,193	-	334,252
Bond proceeds	314,511	-	-	-	314,511
Proceeds from sale of capital assets	4,189	-	-	-	4,189
Operating transfers out	<u>(451,173)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(451,173)</u>
Net other financing sources (uses)	<u>(132,473)</u>	<u>227,059</u>	<u>107,193</u>	<u>-</u>	<u>201,779</u>

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	(134,439)	258	(243,860)	(3,316)	(381,357)
CASH BALANCE, BEGINNING OF YEAR	<u>(19,517)</u>	<u>20,470</u>	<u>(931,106)</u>	<u>103,630</u>	<u>(826,523)</u>
CASH BALANCE, END OF YEAR	<u>\$ (153,956)</u>	<u>\$ 20,728</u>	<u>\$ (1,174,966)</u>	<u>\$ 100,314</u>	<u>\$ (1,207,880)</u>
CASH BASIS FUND BALANCE:					
Reserved:					
Debt service	\$ -	\$ 20,728	\$ -	\$ -	\$ 20,728
Unreserved:					
Special revenue funds	(153,956)	-	-	-	(153,956)
Permanent	-	-	-	100,314	100,314
Capital project funds	<u>-</u>	<u>-</u>	<u>(1,174,966)</u>	<u>-</u>	<u>(1,174,966)</u>
Total cash basis fund balance	<u>\$ (153,956)</u>	<u>\$ 20,728</u>	<u>\$ (1,174,966)</u>	<u>\$ 100,314</u>	<u>\$ (1,207,880)</u>

CITY OF TIPTON

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds - Special Revenue

As of and for the year ended June 30, 2010

	<u>Trust and Agency</u>	<u>Local Option Tax</u>	<u>Aquatic Campaign</u>
RECEIPTS:			
Property tax	\$ 201,713	\$ -	\$ -
Other city tax	-	192,161	-
Use of money and property	139	120	-
Special assessments	-	-	-
Miscellaneous	-	-	119,508
	<u>201,852</u>	<u>192,281</u>	<u>119,508</u>
Total receipts			
	<u>201,852</u>	<u>192,281</u>	<u>119,508</u>
DISBURSEMENTS:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	-
Debt Service	-	-	260,000
Capital projects	-	-	1,100
	<u>-</u>	<u>-</u>	<u>1,100</u>
Total disbursements			
	<u>-</u>	<u>-</u>	<u>261,100</u>
Excess (deficiency) of receipts over (under) disbursements	<u>201,852</u>	<u>192,281</u>	<u>(141,592)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Proceeds from sale of capital assets	-	-	-
Operating transfers out	(200,883)	(191,495)	-
	<u>(200,883)</u>	<u>(191,495)</u>	<u>-</u>
Net other financing sources (uses)			
	<u>(200,883)</u>	<u>(191,495)</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	969	786	(141,592)
CASH BALANCE, BEGINNING OF YEAR	<u>16,804</u>	<u>49,129</u>	<u>(174,761)</u>
CASH BALANCE, END OF YEAR	<u>\$ 17,773</u>	<u>\$ 49,915</u>	<u>\$ (316,353)</u>
CASH BASIS FUND BALANCE:			
Unreserved:			
Special revenue funds	<u>\$ 17,773</u>	<u>\$ 49,915</u>	<u>\$ (316,353)</u>

Schedule 2

<u>Unemployment Trust</u>	<u>Library Trust</u>	<u>PS Share Trust</u>	<u>Fire Trust</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 201,713
-	-	-	-	192,161
1,907	652	8	23	2,849
-	-	-	54,114	54,114
-	832	3,544	-	123,884
<u>1,907</u>	<u>1,484</u>	<u>3,552</u>	<u>54,137</u>	<u>574,721</u>
-	-	-	314,511	314,511
-	1,076	-	-	1,076
-	-	-	-	260,000
-	-	-	-	1,100
-	1,076	-	314,511	576,687
<u>1,907</u>	<u>408</u>	<u>3,552</u>	<u>(260,374)</u>	<u>(1,966)</u>
-	-	-	314,511	314,511
-	-	-	4,189	4,189
-	-	-	(58,795)	(451,173)
-	-	-	259,905	(132,473)
1,907	408	3,552	(469)	(134,439)
<u>79,137</u>	<u>(7,441)</u>	<u>3,675</u>	<u>13,940</u>	<u>(19,517)</u>
<u>\$ 81,044</u>	<u>\$ (7,033)</u>	<u>\$ 7,227</u>	<u>\$ 13,471</u>	<u>\$ (153,956)</u>
<u>\$ 81,044</u>	<u>\$ (7,033)</u>	<u>\$ 7,227</u>	<u>\$ 13,471</u>	<u>\$ (153,956)</u>

CITY OF TIPTON

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds - Other
As of and for the year ended June 30, 2010

		<u>Capital</u>		
	<u>Debt Service</u>	<u>GO Street Improvement</u>	<u>Skate Park Project</u>	<u>Aquatic Center Project</u>
RECEIPTS:				
Property tax	\$ 63,400	\$ -	\$ -	\$ -
Use of money and property	147	2	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
	<u>63,547</u>	<u>2</u>	<u>-</u>	<u>-</u>
DISBURSEMENTS:				
Debt service	290,348	-	-	-
Capital projects	-	-	80,744	-
	<u>290,348</u>	<u>-</u>	<u>80,744</u>	<u>-</u>
Total disbursements				
	<u>290,348</u>	<u>-</u>	<u>80,744</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(226,801)</u>	<u>2</u>	<u>(80,744)</u>	<u>-</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>227,059</u>	<u>-</u>	<u>35,383</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	258	2	(45,361)	-
CASH BALANCE, BEGINNING OF YEAR	<u>20,470</u>	<u>1,680</u>	<u>-</u>	<u>(486,357)</u>
CASH BALANCE, END OF YEAR	<u>\$ 20,728</u>	<u>\$ 1,682</u>	<u>\$ (45,361)</u>	<u>\$ (486,357)</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Debt service	\$ 20,728	\$ -	\$ -	\$ -
Unreserved:				
Cemetery	-	-	-	-
Capital projects	-	1,682	(45,361)	(486,357)
	<u>-</u>	<u>1,682</u>	<u>(45,361)</u>	<u>(486,357)</u>
Total cash basis fund balance	<u>\$ 20,728</u>	<u>\$ 1,682</u>	<u>\$ (45,361)</u>	<u>\$ (486,357)</u>

Projects			Permanent
Street-scapes Project	Fire Station Project	Total Capital Project Funds	Cemetery Trust
\$ -	\$ -	\$ -	\$ -
-	-	2	-
16,737	-	16,737	-
-	-	-	(3,316)
<u>16,737</u>	<u>-</u>	<u>16,739</u>	<u>(3,316)</u>
-	-	-	-
186,648	100,400	367,792	-
<u>186,648</u>	<u>100,400</u>	<u>367,792</u>	<u>-</u>
(169,911)	(100,400)	(351,053)	(3,316)
<u>71,810</u>	<u>-</u>	<u>107,193</u>	<u>-</u>
(98,101)	(100,400)	(243,860)	(3,316)
<u>(446,429)</u>	<u>-</u>	<u>(931,106)</u>	<u>103,630</u>
<u>\$ (544,530)</u>	<u>\$ (100,400)</u>	<u>\$ (1,174,966)</u>	<u>\$ 100,314</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	100,314
<u>(544,530)</u>	<u>(100,400)</u>	<u>(1,174,966)</u>	<u>-</u>
<u>\$ (544,530)</u>	<u>\$ (100,400)</u>	<u>\$ (1,174,966)</u>	<u>\$ 100,314</u>

CITY OF TIPTON

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances

Combining Nonmajor Proprietary Funds

As of and for the year ended June 30, 2010

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Total</u>
OPERATING RECEIPTS:						
Licenses and permits	\$ -	\$ 200	\$ -	\$ -	\$ -	\$ 200
Intergovernmental	-	-	-	-	29,641	29,641
Charges for service	-	472,585	-	448,365	445,801	1,366,751
Miscellaneous	11,140	13,456	11,150	2,385	33,399	71,530
	<u>11,140</u>	<u>486,241</u>	<u>11,150</u>	<u>450,750</u>	<u>508,841</u>	<u>1,468,122</u>
Total operating receipts	11,140	486,241	11,150	450,750	508,841	1,468,122
OPERATING DISBURSEMENTS:						
Business type activities:						
Electric	14,239	-	-	-	-	14,239
Water	-	357,898	-	-	-	357,898
Gas	-	-	13,330	-	-	13,330
Wastewater	-	-	-	259,729	-	259,729
Communications	-	-	-	-	3,129	3,129
Airport	-	-	-	-	90,137	90,137
Garbage	-	-	-	-	390,378	390,378
Cemetery	-	-	-	-	51,172	51,172
	<u>14,239</u>	<u>357,898</u>	<u>13,330</u>	<u>259,729</u>	<u>534,816</u>	<u>1,180,012</u>
Total operating disbursements	14,239	357,898	13,330	259,729	534,816	1,180,012
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(3,099)</u>	<u>128,343</u>	<u>(2,180)</u>	<u>191,021</u>	<u>(25,975)</u>	<u>288,110</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):						
Interest on investments	10,341	601	476	3,131	10,236	24,785
Debt service	-	(167,390)	-	(210,240)	-	(377,630)
Capital projects	(489,537)	-	-	-	-	(489,537)
	<u>(479,196)</u>	<u>(166,789)</u>	<u>476</u>	<u>(207,109)</u>	<u>10,236</u>	<u>(842,382)</u>
Net nonoperating receipts (disbursements)	(479,196)	(166,789)	476	(207,109)	10,236	(842,382)
Deficiency of receipts under disbursements	<u>(482,295)</u>	<u>(38,446)</u>	<u>(1,704)</u>	<u>(16,088)</u>	<u>(15,739)</u>	<u>(554,272)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	65,000	192,690	-	216,510	71,893	546,093
Operating transfers out	-	(177,690)	-	(361,050)	(19,281)	(558,021)
	<u>65,000</u>	<u>15,000</u>	<u>-</u>	<u>(144,540)</u>	<u>52,612</u>	<u>(11,928)</u>
Net other financing sources (uses)	65,000	15,000	-	(144,540)	52,612	(11,928)

Schedule 4

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Total</u>
NET CHANGE IN CASH BALANCE	(417,295)	(23,446)	(1,704)	(160,628)	36,873	(566,200)
CASH BALANCE, BEGINNING OF YEAR	<u>586,395</u>	<u>47,341</u>	<u>26,653</u>	<u>886,509</u>	<u>(46,650)</u>	<u>1,500,248</u>
CASH BALANCE, END OF YEAR	<u>\$ 169,100</u>	<u>\$ 23,895</u>	<u>\$ 24,949</u>	<u>\$ 725,881</u>	<u>\$ (9,777)</u>	<u>\$ 934,048</u>
CASH BASIS FUND BALANCE						
Reserved:						
Deposits	\$ 12,416	\$ 2,731	\$ 9,772	\$ -	\$ -	\$ 24,919
Debt service	177,409	224,912	-	383,107	-	785,428
Other purposes	393,204	-	15,177	-	-	408,381
Unreserved	<u>(413,929)</u>	<u>(203,748)</u>	<u>-</u>	<u>342,774</u>	<u>(9,777)</u>	<u>(284,680)</u>
Total cash basis fund balance	<u>\$ 169,100</u>	<u>\$ 23,895</u>	<u>\$ 24,949</u>	<u>\$ 725,881</u>	<u>\$ (9,777)</u>	<u>\$ 934,048</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2010

	<u>2006 Electric Substation</u>	<u>69 KV Substation Project</u>	<u>Electric Development</u>
OPERATING RECEIPTS:			
Miscellaneous	\$ -	\$ -	\$ -
OPERATING DISBURSEMENTS:			
Business type activities:			
Electric	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of operating receipts under operating disbursements	<u>-</u>	<u>-</u>	<u>-</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	257	26	12
Capital projects	<u>-</u>	<u>(489,537)</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>257</u>	<u>(489,511)</u>	<u>12</u>
Excess (deficiency) of receipts over (under) disbursements	257	(489,511)	12
OTHER FINANCING SOURCES			
Operating transfers in	<u>-</u>	<u>65,000</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	257	(424,511)	12
CASH BALANCE, BEGINNING OF YEAR	<u>177,152</u>	<u>10,582</u>	<u>8,452</u>
CASH BALANCE, END OF YEAR	<u>\$ 177,409</u>	<u>\$ (413,929)</u>	<u>\$ 8,464</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ -	\$ -
Debt service	177,409	-	-
Other purposes	-	-	8,464
Unreserved	<u>-</u>	<u>(413,929)</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 177,409</u>	<u>\$ (413,929)</u>	<u>\$ 8,464</u>

Schedule 5

<u>Electric Renewal/ Replacement</u>	<u>Electric Reserve</u>	<u>Electric Meter Deposits</u>	<u>Totals</u>
\$ -	\$ -	\$ 11,140	\$ 11,140
-	-	14,239	14,239
-	-	(3,099)	(3,099)
5,034	4,807	205	10,341
-	-	-	(489,537)
<u>5,034</u>	<u>4,807</u>	<u>205</u>	<u>(479,196)</u>
5,034	4,807	(2,894)	(482,295)
-	-	-	65,000
5,034	4,807	(2,894)	(417,295)
<u>176,543</u>	<u>198,356</u>	<u>15,310</u>	<u>586,395</u>
<u>\$ 181,577</u>	<u>\$ 203,163</u>	<u>\$ 12,416</u>	<u>\$ 169,100</u>
\$ -	\$ -	\$ 12,416	\$ 12,416
-	-	-	177,409
181,577	203,163	-	393,204
-	-	-	(413,929)
<u>\$ 181,577</u>	<u>\$ 203,163</u>	<u>\$ 12,416</u>	<u>\$ 169,100</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2010

	Water Revenue Bond Reserve	Water Operating	Water Meter Deposits	Water Tower Project	Totals
OPERATING RECEIPTS:					
Licenses and permits	\$ -	\$ 200	\$ -	\$ -	\$ 200
Charges for service	-	472,585	-	-	472,585
Miscellaneous	-	9,216	4,240	-	13,456
	<u>-</u>	<u>482,001</u>	<u>4,240</u>	<u>-</u>	<u>486,241</u>
Total operating receipts	-	482,001	4,240	-	486,241
OPERATING DISBURSEMENTS:					
Business type activities:					
Water	<u>350</u>	<u>352,002</u>	<u>5,546</u>	<u>-</u>	<u>357,898</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(350)</u>	<u>129,999</u>	<u>(1,306)</u>	<u>-</u>	<u>128,343</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):					
Interest on investments	383	213	5	-	601
Debt service	<u>(167,390)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,390)</u>
Net nonoperating receipts (disbursements)	<u>(167,007)</u>	<u>213</u>	<u>5</u>	<u>-</u>	<u>(166,789)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(167,357)</u>	<u>130,212</u>	<u>(1,301)</u>	<u>-</u>	<u>(38,446)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	167,690	-	-	25,000	192,690
Operating transfers out	<u>-</u>	<u>(177,690)</u>	<u>-</u>	<u>-</u>	<u>(177,690)</u>
Net other financing sources (uses)	<u>167,690</u>	<u>(177,690)</u>	<u>-</u>	<u>25,000</u>	<u>15,000</u>
NET CHANGE IN CASH BALANCE	333	(47,478)	(1,301)	25,000	(23,446)
CASH BALANCE, BEGINNING OF YEAR	<u>224,579</u>	<u>150,426</u>	<u>4,032</u>	<u>(331,696)</u>	<u>47,341</u>
CASH BALANCE, END OF YEAR	<u>\$ 224,912</u>	<u>\$ 102,948</u>	<u>\$ 2,731</u>	<u>\$ (306,696)</u>	<u>\$ 23,895</u>
CASH BASIS FUND BALANCE:					
Reserved:					
Deposits	\$ -	\$ -	\$ 2,731	\$ -	\$ 2,731
Debt service	224,912	-	-	-	224,912
Unreserved	<u>-</u>	<u>102,948</u>	<u>-</u>	<u>(306,696)</u>	<u>(203,748)</u>
Total cash basis fund balance	<u>\$ 224,912</u>	<u>\$ 102,948</u>	<u>\$ 2,731</u>	<u>\$ (306,696)</u>	<u>\$ 23,895</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2010

	<u>Gas D.E.I.</u>	<u>Gas Meter Deposits</u>	<u>Totals</u>
OPERATING RECEIPTS:			
Miscellaneous	\$ -	\$ 11,150	\$ 11,150
OPERATING DISBURSEMENTS:			
Business type activities:			
Gas	<u>-</u>	<u>13,330</u>	<u>13,330</u>
Deficiency of operating receipts under operating disbursements	-	(2,180)	(2,180)
NONOPERATING RECEIPTS:			
Interest on investments	<u>207</u>	<u>269</u>	<u>476</u>
Excess (deficiency) of receipts over (under) disbursements	207	(1,911)	(1,704)
CASH BALANCE, BEGINNING OF YEAR	<u>14,970</u>	<u>11,683</u>	<u>26,653</u>
CASH BALANCE, END OF YEAR	<u>\$ 15,177</u>	<u>\$ 9,772</u>	<u>\$ 24,949</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ 9,772	\$ 9,772
Other purposes	<u>15,177</u>	<u>-</u>	<u>15,177</u>
Total cash basis fund balance	<u>\$ 15,177</u>	<u>\$ 9,772</u>	<u>\$ 24,949</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2010

	Wastewater Debt Service	Waste Water Treatment	Totals
OPERATING RECEIPTS:			
Charges for services	\$ -	\$ 448,365	\$ 448,365
Miscellaneous	<u>-</u>	<u>2,385</u>	<u>2,385</u>
Total operating receipts	-	450,750	450,750
OPERATING DISBURSEMENTS:			
Business type activities:			
Wastewater	<u>6,270</u>	<u>253,459</u>	<u>259,729</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(6,270)</u>	<u>197,291</u>	<u>191,021</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	414	2,717	3,131
Debt service	<u>(210,240)</u>	<u>-</u>	<u>(210,240)</u>
Net nonoperating receipts (disbursements):	<u>(209,826)</u>	<u>2,717</u>	<u>(207,109)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(216,096)</u>	<u>200,008</u>	<u>(16,088)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	216,510	-	216,510
Operating transfers out	<u>-</u>	<u>(361,050)</u>	<u>(361,050)</u>
Net other financing sources (uses)	<u>216,510</u>	<u>(361,050)</u>	<u>(144,540)</u>
NET CHANGE IN CASH BALANCE	414	(161,042)	(160,628)
CASH BALANCE, BEGINNING OF YEAR	<u>382,693</u>	<u>503,816</u>	<u>886,509</u>
CASH BALANCE, END OF YEAR	<u>\$ 383,107</u>	<u>\$ 342,774</u>	<u>\$ 725,881</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Debt service	\$ 383,107	\$ -	\$ 383,107
Unreserved	<u>-</u>	<u>342,774</u>	<u>342,774</u>
Total cash basis fund balance	<u>\$ 383,107</u>	<u>\$ 342,774</u>	<u>\$ 725,881</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2010

	Communications		
	<u>Local Access</u>	<u>Airport Operating</u>	<u>Garbage Collection</u>
OPERATING RECEIPTS:			
Intergovernmental	\$ -	\$ 28,180	\$ -
Charges for services	22,232	19,550	385,219
Miscellaneous	-	29,839	1,763
	<u>22,232</u>	<u>77,569</u>	<u>386,982</u>
Total operating receipts			
OPERATING DISBURSEMENTS:			
Business type activities:			
Communications	3,129	-	-
Airport	-	90,137	-
Garbage	-	-	390,378
Cemetery	-	-	-
	<u>3,129</u>	<u>90,137</u>	<u>390,378</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over (under) operating disbursements	19,103	(12,568)	(3,396)
NONOPERATING RECEIPTS:			
Interest on investments	510	3,601	-
	<u>510</u>	<u>3,601</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	19,613	(8,967)	(3,396)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	52,096	-
Operating transfers out	(19,281)	-	-
	<u>(19,281)</u>	<u>52,096</u>	<u>-</u>
Net other financing sources (uses)			
NET CHANGE IN CASH BALANCE	332	43,129	(3,396)
CASH BALANCE, BEGINNING OF YEAR	<u>24,195</u>	<u>(35,463)</u>	<u>(11,081)</u>
CASH BALANCE, END OF YEAR	<u>\$ 24,527</u>	<u>\$ 7,666</u>	<u>\$ (14,477)</u>
CASH BASIS FUND BALANCE:			
Unreserved	<u>\$ 24,527</u>	<u>\$ 7,666</u>	<u>\$ (14,477)</u>

<u>Cemetery</u> <u>Enterprise</u>	<u>Totals</u>
\$ 1,461	\$ 29,641
18,800	445,801
<u>1,797</u>	<u>33,399</u>
 22,058	 508,841
 -	 3,129
-	90,137
-	390,378
<u>51,172</u>	<u>51,172</u>
 51,172	 534,816
 (29,114)	 (25,975)
 <u>6,125</u>	 <u>10,236</u>
 (22,989)	 (15,739)
 19,797	 71,893
<u>-</u>	<u>(19,281)</u>
 19,797	 52,612
 (3,192)	 36,873
<u>(24,301)</u>	<u>(46,650)</u>
\$ <u>(27,493)</u>	\$ <u>(9,777)</u>
 \$ <u>(27,493)</u>	 \$ <u>(9,777)</u>

CITY OF TIPTON

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

As of and for the year ended June 30, 2010

	<u>Central Garage</u>	<u>PSF Health Insurance</u>	<u>City Reserve</u>
OPERATING RECEIPTS:			
Miscellaneous	\$ 44,883	\$ 82,400	\$ -
OPERATING DISBURSEMENTS:			
General government	<u>207,918</u>	<u>94,870</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(163,035)</u>	<u>(12,470)</u>	<u>-</u>
NONOPERATING RECEIPTS:			
Interest on investments	<u>190,352</u>	<u>-</u>	<u>10,150</u>
Excess (deficiency) of receipts over (under) disbursements	<u>27,317</u>	<u>(12,470)</u>	<u>10,150</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,024	-	-
Transfers out	-	-	(149,000)
Interfund loan proceeds	-	-	17,664
Interfund loan advance	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>2,024</u>	<u>-</u>	<u>(131,336)</u>
NET CHANGE IN CASH BALANCE	29,341	(12,470)	(121,186)
CASH BALANCE, BEGINNING OF YEAR	<u>(6,584)</u>	<u>(5,658)</u>	<u>228,713</u>
CASH BALANCE, END OF YEAR	<u>\$ 22,757</u>	<u>\$ (18,128)</u>	<u>\$ 107,527</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Other purposes	<u>\$ 22,757</u>	<u>\$ (18,128)</u>	<u>\$ 107,527</u>

<u>Administrative Services</u>	<u>Payroll Account</u>	<u>Totals</u>
\$ 146,014	\$ -	\$ 273,297
<u>134,276</u>	<u>-</u>	<u>437,064</u>
<u>11,738</u>	<u>-</u>	<u>(163,767)</u>
<u>-</u>	<u>-</u>	<u>200,502</u>
<u>11,738</u>	<u>-</u>	<u>36,735</u>
-	-	2,024
-	-	(149,000)
-	-	17,664
<u>(17,664)</u>	<u>-</u>	<u>(17,664)</u>
<u>(17,664)</u>	<u>-</u>	<u>(146,976)</u>
(5,926)	-	(110,241)
<u>6,251</u>	<u>213</u>	<u>222,935</u>
<u>\$ 325</u>	<u>\$ 213</u>	<u>\$ 112,694</u>
<u>\$ 325</u>	<u>\$ 213</u>	<u>\$ 112,694</u>

CITY OF TIPTON
Schedule of Indebtedness
Year Ended June 30, 2010

<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
Fire truck acquisition note	June 30, 2010 (reissued July 15, 2010)	3.25%	319,295
Total			
Revenue bonds:			
Sewer revenue	June 30, 2003	3.00%	3,200,000
Revenue notes:			
Water revenue	July 1, 2002	4.25-5.40%	1,305,000
Total			
Anticipation project notes:			
Aquatic center construction loan	May 2, 2005	4.00%	1,250,000
Street construction	Various	3.95%	1,500,000
Total			
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>
\$ 570,000	-	90,000	480,000	20,663	-
655,000	-	155,000	500,000	23,885	-
<u>-</u>	<u>319,295</u>	<u>-</u>	<u>319,295</u>	<u>-</u>	<u>-</u>
<u>1,225,000</u>	<u>319,295</u>	<u>245,000</u>	<u>1,299,295</u>	<u>44,548</u>	<u>-</u>
2,508,000	-	135,000	2,373,000	75,240	-
<u>1,200,000</u>	<u>-</u>	<u>110,000</u>	<u>1,090,000</u>	<u>57,390</u>	<u>-</u>
<u>3,708,000</u>	<u>-</u>	<u>245,000</u>	<u>3,463,000</u>	<u>132,630</u>	<u>-</u>
250,000	-	250,000	-	10,000	-
<u>-</u>	<u>1,185,000</u>	<u>674,039</u>	<u>510,961</u>	<u>-</u>	<u>-</u>
<u>250,000</u>	<u>1,185,000</u>	<u>924,039</u>	<u>510,961</u>	<u>10,000</u>	<u>-</u>
<u>\$ 5,183,000</u>	<u>\$ 1,504,295</u>	<u>\$ 1,414,039</u>	<u>\$ 5,273,256</u>	<u>\$ 187,178</u>	<u>\$ -</u>

CITY OF TIPTON
Bond and Note Maturities
June 30, 2010

General Obligation Debt

Year Ending June 30,	2008 <u>Street Improvement</u>		2003 <u>Street Improvement</u>		Fire Truck <u>Acquisition Note</u> Issued June 30, 2010 (Reissued July 15, 2010)			<u>Total</u>
	<u>Issued Nov. 12, 2008</u>		<u>Issued May 1, 2003</u>		<u>Interest</u>			
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>		
2011	3.25 %	\$ 90,000	3.55 %	\$ 160,000	3.25 %	\$ 29,000	\$ 279,000	
2012	3.50 %	95,000	3.75 %	165,000	3.25 %	29,000	289,000	
2013	3.75 %	95,000	3.90 %	175,000	3.25 %	30,000	300,000	
2014	4.00 %	100,000	-	-	3.25 %	30,000	130,000	
2015	4.15 %	100,000	-	-	3.25 %	31,000	131,000	
2016	-	-	-	-	3.25 %	32,000	32,000	
2017	-	-	-	-	3.25 %	33,000	33,000	
2018	-	-	-	-	3.25 %	34,000	34,000	
2019	-	-	-	-	3.25 %	35,000	35,000	
2020	-	-	-	-	3.25 %	36,295	36,295	
Total		<u>\$ 480,000</u>		<u>\$ 500,000</u>		<u>\$ 319,295</u>	<u>\$1,299,295</u>	

Revenue Debt

Year Ending June 30,	<u>Anticipatory Note</u> <u>Issued at various times</u>		<u>Water Revenue Note</u> <u>Issued July 1, 2002</u>		<u>Sewer Revenue Note</u> <u>Issued June 30, 2003</u>			<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>		
2011	3.95 %	\$ 510,961	4.55 %	\$ 115,000	3.00 %	\$ 139,000	\$ 254,000	
2012	-	-	4.70 %	120,000	3.00 %	143,000	263,000	
2013	-	-	4.85 %	125,000	3.00 %	147,000	272,000	
2014	-	-	5.00 %	130,000	3.00 %	152,000	282,000	
2015	-	-	5.10 %	140,000	3.00 %	156,000	296,000	
2016	-	-	5.20 %	145,000	3.00 %	161,000	306,000	
2017	-	-	5.30 %	155,000	3.00 %	166,000	321,000	
2018	-	-	5.40 %	160,000	3.00 %	171,000	331,000	
2019	-	-	-	-	3.00 %	176,000	176,000	
2020	-	-	-	-	3.00 %	181,000	181,000	
2021	-	-	-	-	3.00 %	187,000	187,000	
2022	-	-	-	-	3.00 %	192,000	192,000	
2023	-	-	-	-	3.00 %	198,000	198,000	
2024	-	-	-	-	3.00 %	204,000	204,000	
Total		<u>\$ 510,961</u>		<u>\$1,090,000</u>		<u>\$2,373,000</u>	<u>\$3,463,000</u>	

CITY OF TIPTON

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

For the Last Six Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
RECEIPTS:						
Property tax	\$ 1,021,653	\$ 946,333	\$ 891,603	\$ 850,516	\$ 803,190	\$ 743,605
Tax increment financing collections	185,147	195,347	217,895	205,164	190,052	190,192
Other city tax	192,230	213,927	254,739	161,840	122,778	179,993
Licenses and permits	5,872	2,752	2,382	3,018	3,284	4,895
Use of money and property	27,311	33,043	55,653	106,135	95,100	70,247
Intergovernmental	1,031,392	356,288	623,166	543,011	485,671	752,268
Charges for service	298,786	321,711	271,547	276,239	247,844	208,929
Special assessments	82,429	118,011	72,766	61,562	14,012	26,228
Miscellaneous	238,415	393,094	386,325	669,881	339,310	2,632,575
Total	<u>\$ 3,083,235</u>	<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>
DISBURSEMENTS:						
Operating:						
Public safety	\$ 1,099,997	\$ 638,724	\$ 638,724	\$ 723,533	\$ 782,320	\$ 586,004
Public works	480,392	415,650	415,650	462,406	324,841	434,109
Culture and recreation	711,495	724,830	724,830	587,047	587,171	373,104
Community and economic development	226,975	206,325	206,325	73,788	-	51,291
General government	131,953	253,301	253,301	255,852	311,842	320,203
Debt service	1,224,387	600,297	600,297	592,008	416,710	266,375
Capital projects	2,119,457	982,900	982,900	895,413	1,135,574	5,597,107
Total	<u>\$ 5,994,656</u>	<u>\$ 3,822,027</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 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 21, 2011. 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 an 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 of Tipton'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 deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Tipton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying schedule of findings as item II-A-10 to be a material weakness in internal control over financial reporting.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying schedule of findings as item II-B-10 to be a significant deficiency.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that 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, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the findings were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Tipton's responses to findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City of Tipton'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 and management of the City of Tipton and those parties to whom the City of Tipton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Clifton Gunderson LLP

Cedar Rapids, Iowa
March 21, 2011

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2010

PART I - SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INTERNAL CONTROL DEFICIENCIES

II-A-2010 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.

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

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

Management Response and Corrective Action Plan: We agree, 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.

Conclusion: Response accepted.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2010

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

INTERNAL CONTROL DEFICIENCIES

II-B-2010 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 significant 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 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 the auditor.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2010

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

III-A-2010 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the Debt Service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

III-B-2010 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-2010 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-2010 Business Transactions - We noted the following business transactions between the City and City officials or employees:

Dean Anderson - Tipton Greenhouse	\$ 800
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In accordance with Chapter 352.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

III-E-2010 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-2010 Council Minutes - We noted no transaction that we believe should have been approved in the council minutes but were not.

III-G-2010 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.

CITY OF TIPTON
 Schedule of Findings
 Year ended June 30, 2010

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

III-H-2010 Financial Condition - The following funds had deficit balances at June 30, 2010:

General Fund	\$ (55,498)
Special Revenue:	
Aquatic Campaign	(316,353)
Library Trust	(7,033)
Capital Projects:	
Aquatic Center Project	(486,357)
Streetscapes Project	(544,530)
GO Street Improvement 2003	(917,226)
Skate Park Project	(45,361)
Fire Station Project	(100,400)
Enterprise:	
Water Tower Project	(306,696)
Garbage Collection	(14,477)
69 KV Substation Project	(413,929)
Cemetery Enterprise	(27,493)
Internal Service:	
PSF Health Insurance	(18,128)

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position, as well as generating and implementing a good strategic plan in order to accommodate these deficit balances over fiscal year 2011.

Response - With council approval, we plan to issue two General Obligation Notes to eliminate these deficit balances.

Conclusion - Response accepted.