

CITY OF TIPTON, IOWA

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

June 30, 2011

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CITY OF TIPTON

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shirley Kepford	Mayor	December 2015
Leanne Zearley	1 st Ward Council Person	December 2015
Dean Anderson	2 nd Ward Council Person	December 2013
Dawn Siech	3 rd Ward Council Person	December 2015
Pamela Spear	At Large Council Person	December 2015
David Fry	At Large Council Person	December 2013
Doug Boldt	City Manager	
Lorna Fletcher	Finance Officer/ City Clerk	
Amy Lenz	Deputy 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 Goerdt	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, 2011, 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 U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton as of June 30, 2011, 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 February 16, 2012 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 46 through 48 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 six years ended June 30, 2010 (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 Larson Allen LLP

Cedar Rapids, Iowa
February 16, 2012

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, 2011. Readers are encouraged to consider this information in conjunction with the City's financial statements which follow.

2011 FINANCIAL HIGHLIGHTS

- The City's total cash basis net assets increased by 12.9% at the close of fiscal year 2011, or \$399,724. Governmental activities cash basis net assets increased by \$54,956.
- City governmental activities revenues decreased by \$1,748,806, or 35%, when compared to fiscal year 2010. Significant changes were due to the City not borrowing new money for capital projects.
- General government activities expenditures decreased by \$2,469,623, or 38%, during this same period. That decrease was due to the reduction of a number of capital projects.
- Business type activities (the City's enterprise funds) operating revenues increased by \$369,315, or 5.4%, and direct operating expenses increased by \$1,167,952 or 17.9% when compared to the prior year.
- The City has \$5,729,295 in long term debt compared to \$5,273,256 at the close of fiscal year 2010. The change between years is the required debt service payments and a new \$1,500,000 Electric Revenue Bond issue.

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 Statement (Exhibit D) tells 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

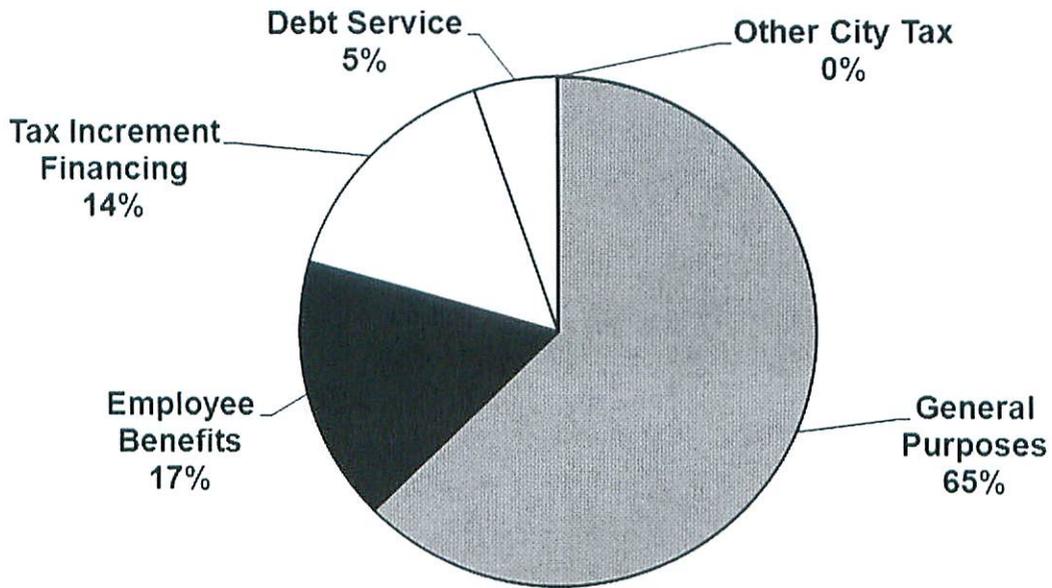
Net assets may serve, over time, as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from \$(778,122) to \$(723,166). The analysis that follows focuses on the changes in cash basis net assets of governmental activities:

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

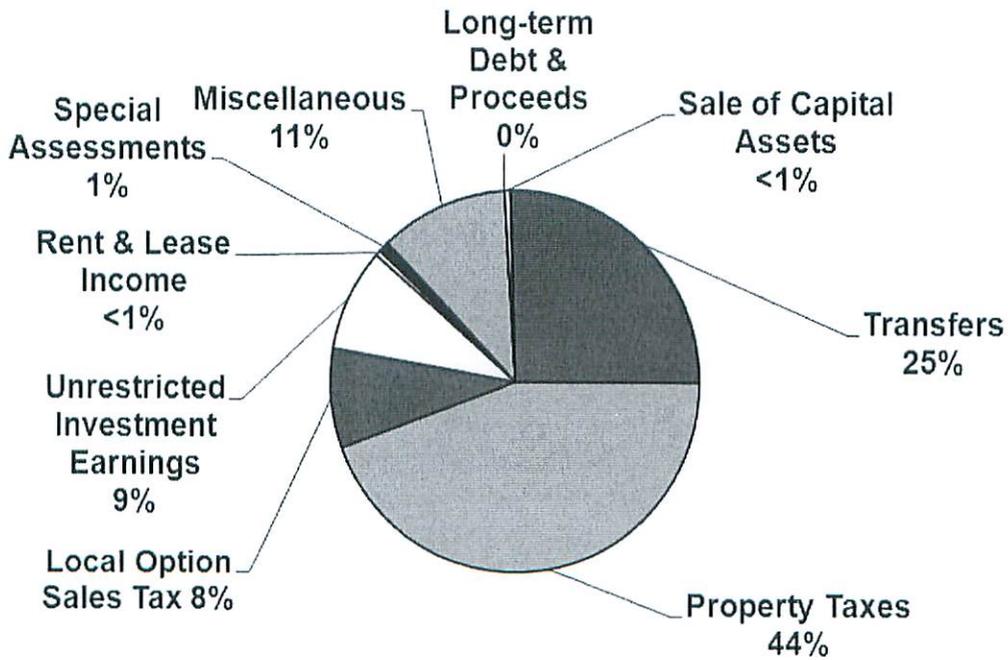
GOVERNMENTAL ACTIVITIES

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 466,480	\$ 323,732
Operating grants, contributions and restricted interest	894,097	1,292,339
General receipts:		
Property tax	1,232,071	1,206,794
Other city tax	-	76
Local option sales tax	230,604	192,160
Unrestricted investment earnings	240,950	217,895
Rent and lease income	12,285	9,683
Special assessments	26,786	32,802
Miscellaneous	194,128	281,552
Debt proceeds	-	1,499,511
Sale of assets	14,526	4,189
Transfers, net	<u>705,126</u>	<u>595,636</u>
Total receipts and transfers	<u>4,017,053</u>	<u>5,656,369</u>
Disbursements:		
General government:		
Public safety	819,197	1,099,997
Public works	541,160	480,392
Culture and recreation	731,608	711,495
Community and economic development	205,899	226,975
General government	573,022	569,017
Debt service	865,585	1,224,387
Capital projects	<u>225,626</u>	<u>2,119,457</u>
Total general government disbursements	<u>3,962,097</u>	<u>6,431,720</u>
Change in Cash Basis Net Assets	54,956	(775,350)
Cash Basis Net Assets, Beginning of Year	<u>(778,122)</u>	<u>(2,772)</u>
Cash Basis Net Assets, End of Year	<u>\$ (723,166)</u>	<u>\$ (778,122)</u>

Property Tax Levies



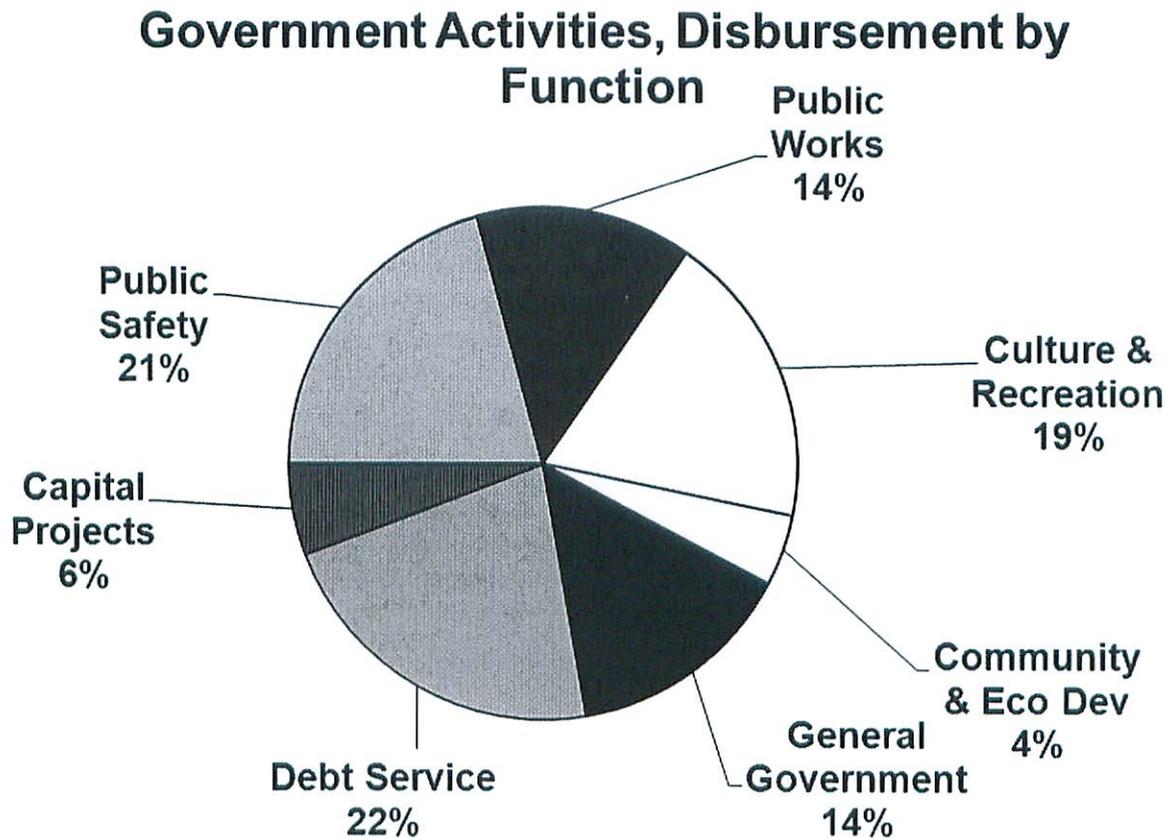
Receipts by Source



The City's total receipts for governmental activities decreased by \$1,748,806 from the previous year. The total cost of all governmental programs decreased by \$2,469,623 with no new programs added during the year, but there was a decrease in capital project expenditures.

The City increased the property tax rates for 2011 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 \$3,962,097, compared to \$6,431,720 last year. The amount financed by taxpayers was \$2,601,520. The remainder was financed by charges for services for those directly benefiting from the programs of \$466,480 or by other governments or organizations that subsidized certain programs with grants, contributions, and restricted interest of \$894,097.



STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

BUSINESS TYPE ACTIVITIES

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Receipts:		
Program receipts:		
Charges for service	\$ 7,111,780	\$ 6,706,461
Operating grants, contributions and restricted interest	41,273	60,088
General receipts:		
Unrestricted investment earnings	27,725	62,857
Rent and lease income	8,825	3,600
Bond proceeds	1,500,000	-
Miscellaneous	<u>66,423</u>	<u>53,705</u>
Total receipts	<u>8,756,026</u>	<u>6,886,711</u>
Disbursements:		
Electric	4,492,113	3,356,792
Water	640,582	525,288
Gas	1,438,131	1,651,314
Wastewater	484,287	469,969
Communications	3,119	3,129
Airport	173,470	90,137
Garbage	427,472	390,378
Cemetery	<u>46,958</u>	<u>51,172</u>
Total disbursements	<u>7,706,132</u>	<u>6,538,179</u>
Change in cash basis net assets before transfers	1,049,894	348,532
Transfers, net	<u>(705,126)</u>	<u>(595,636)</u>
Change in Cash Basis Net Assets	344,768	(247,104)
Cash Basis Net Assets, Beginning of Year	<u>3,883,817</u>	<u>4,130,921</u>
Cash Basis Net Assets, End of Year	<u>\$ 4,228,585</u>	<u>\$ 3,883,817</u>

Total business type activities receipts for the fiscal year were \$8,756,026 compared to \$6,886,711 last year. This change was due primarily to more favorable gas and electric purchases and the issuance of \$1,500,000 in Electric Revenue Bonds. Total disbursements and net transfers for the fiscal year were \$8,411,258 compared to \$7,133,815 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed this year, its governmental funds reported a combined deficit fund balance of \$(1,065,765), a decrease over last year's total of \$(890,816). The following are the major reasons for the changes of fund balances of the governmental funds from the prior year.

1. The General Fund cash balance decreased \$53,407 from the prior year to a fund balance of \$272,194.
2. The Road Use Tax (RUT) Fund cash balance decreased \$229,380 from the prior year to a fund balance of \$301,305. The decrease was attributable to increased street maintenance and street reconstruction projects.
3. The TIF Capital Improvement Fund cash balance decreased \$17,382 from the prior year to \$169,247. The decrease was due to the addition of a new development agreement.
4. The Economic/Industrial Development Fund cash balance increased \$27,820 from the prior year to \$300,239. The increase was the result of the proceeds from the sale of a parcel of ground in the City's Industrial Park.
5. The GO Street Improvement 2003 Fund decreased \$36,951 from the prior year to a deficit fund balance of \$(954,177). The decrease was due to a partial payment from the IDOT for 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 \$139,088 to \$1,239,122 due to the expenses of the Additional Standby Generation Project.
2. The Electric Bond Fund cash balance increased \$497,074 to \$1,190,900 due to the above stated project.
3. The Gas Operating Fund cash balance increased \$44,434 to \$95,417 due to better than expected and budgeted market gas prices.
4. The Gas Surplus Fund cash balance maintained a fund balance of \$437,501 due to the use of investment interest revenue.
5. The Additional Generation Fund cash balance decreased \$272,350 due to payments on the project.
6. The 2006 Electrical Fund cash balance increased \$300,628 to \$478,037 due to preparation of the Substation upgrade project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time which resulted in an increase in budgeted receipts of \$327,723 and budgeted disbursements of \$4,463,644 to provide for additional disbursements in certain City departments.

DEBT ADMINISTRATION

On June 30, 2011, the City had \$5,729,295 in bonds and other long-term debt, compared to \$5,273,256 at the beginning of the year.

Outstanding debt at June 30, 2011, and 2010

	<u>2011</u>	<u>2010</u>
General Obligation Notes:		
Street improvements	\$ 390,000	\$ 480,000
Street improvements	340,000	500,000
Fire truck acquisition	<u>290,295</u>	<u>319,295</u>
Total	<u>1,020,295</u>	<u>1,299,295</u>
Revenue Bonds:		
Sewer revenue	2,234,000	2,373,000
Revenue Notes:		
Water revenue	975,000	1,090,000
Electric revenue	<u>1,500,000</u>	<u>-</u>
Total	<u>4,709,000</u>	<u>3,463,000</u>
Anticipatory Obligation Notes:		
Street construction	<u>-</u>	<u>510,961</u>
Total	<u>-</u>	<u>510,961</u>
Total indebtedness	<u>\$5,729,295</u>	<u>\$5,273,256</u>

Debt increased as a result of issuing a new Electric Revenue Bond. 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 \$1,020,295 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. We anticipate little change in those percentages for next year's 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 2012 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 (4.6% versus 5.7%). 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 still somewhat unstable as we are starting to see fuel pump (gas) prices slightly coming down.

These indicators were taken into account when adopting the budget for FY 2012.

Revenues, 2011-2012

The City's property tax will grow based on an 8.6% taxable value increase. The City's Regular General Levy remains at \$8.10/\$1,000 of assessed value. Debt service permissible levies are expected to decrease again from a roughly \$2.02214/\$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 about \$72,000 to about \$1,251,581.

A 1% annual increase in electric rates may take effect in May 2012. 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, 2011-2012

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, 2012 and thereafter

The City has let and awarded the contract to construct a new fire station. The new station will also have a FEMA Safe Room and the City was successful in securing that grant. Construction will begin in early 2012.

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 and this project is now complete. 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, has nearly completed its upgrade of the current 34.5 KV electric transmission lines serving Tipton to 69 KV. This upgrade will require the City to upgrade its substation of which a portion of the upgrade has been designed, bid and installed.

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 12 - 15% within this past fiscal year. Because of that increase, the City negotiated with the Union a \$50.00 employee contribution to the premium. This contribution was only for a family health policy and was expanded to all employees outside of the union as well.

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, 2011

	Program Receipts		
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 819,197	\$ 176,966	\$ 87,286
Public works	541,160	3,300	310,885
Culture and recreation	731,608	145,047	104,562
Community and economic development	205,899	-	4,034
General government	573,022	141,167	12,283
Debt service	865,585	-	-
Capital projects	225,626	-	375,047
	3,962,097	466,480	894,097
Business type activities:			
Electric	4,492,113	4,234,962	8,350
Water	640,582	474,730	8,280
Gas	1,438,131	1,488,850	8,311
Wastewater	484,287	451,783	650
Communications	3,119	22,113	-
Airport	173,470	14,200	12,981
Garbage	427,472	405,642	1,056
Cemetery	46,958	19,500	1,645
	7,706,132	7,111,780	41,273
Total	\$ 11,668,229	\$ 7,578,260	\$ 935,370

GENERAL RECEIPTS AND TRANSFERS:

Property and other city tax levied for:

- General purposes
- Employee benefits
- Debt service

Tax increment financing

Local option sales tax

Unrestricted interest on investments

Rent and lease income

Special assessments

Miscellaneous

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

Governmental Activities	Business Type Activities	Total
\$ (554,945)	\$ -	\$ (554,945)
(226,975)	-	(226,975)
(481,999)	-	(481,999)
(201,865)	-	(201,865)
(419,572)	-	(419,572)
(865,585)	-	(865,585)
149,421	-	149,421
(2,601,520)	-	(2,601,520)
-	(248,801)	(248,801)
-	(157,572)	(157,572)
-	59,030	59,030
-	(31,854)	(31,854)
-	18,994	18,994
-	(146,289)	(146,289)
-	(20,774)	(20,774)
-	(25,813)	(25,813)
-	(553,079)	(553,079)
(2,601,520)	(553,079)	(3,154,599)
799,128	-	799,128
205,238	-	205,238
59,875	-	59,875
167,830	-	167,830
230,604	-	230,604
240,950	27,725	268,675
12,285	8,825	21,110
26,786	-	26,786
194,129	65,739	259,868

(continued)

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
Bond proceeds			
Sale of assets			
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:			
Nonexpendable			
Expendable:			
Urban renewal purposes			
Debt service			
Streets			
Other purposes			
Unrestricted			
TOTAL CASH BASIS NET ASSETS			

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

Governmental Activities	Business Type Activities	Total
-	1,500,000	1,500,000
14,526	685	15,211
2,365,315	2,168,397	4,533,712
<u>(1,660,189)</u>	<u>(2,873,523)</u>	<u>(4,533,712)</u>
<u>2,656,477</u>	<u>897,847</u>	<u>3,554,324</u>
54,956	344,768	399,724
<u>(778,122)</u>	<u>3,883,817</u>	<u>3,105,695</u>
<u>\$ (723,166)</u>	<u>\$ 4,228,585</u>	<u>\$ 3,505,419</u>
\$ 100,000	\$ -	\$ 100,000
490,910	-	490,910
-	1,042,038	1,042,038
344,153	-	344,153
68,544	29,801	98,345
<u>(1,726,772)</u>	<u>3,156,746</u>	<u>1,429,974</u>
<u>\$ (723,166)</u>	<u>\$ 4,228,585</u>	<u>\$ 3,505,419</u>

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

CITY OF TIPTON

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

As of and for the year ended June 30, 2011

	<u>General</u>	<u>Road Use Tax</u>	<u>Special TIF Capital Improvement</u>
RECEIPTS:			
Property tax	\$ 804,129	\$ -	\$ -
Tax increment financing	-	-	167,830
Other city tax	-	-	-
Licenses and permits	6,425	-	-
Use of money and property	21,326	-	1,779
Intergovernmental	26,406	305,650	-
Charges for service	298,935	-	-
Special assessments	11,777	-	-
Miscellaneous	93,860	-	-
Total receipts	<u>1,262,858</u>	<u>305,650</u>	<u>169,609</u>
DISBURSEMENTS:			
Operating:			
Public safety	819,197	-	-
Public works	509,803	31,357	-
Culture and recreation	731,608	-	-
Community and economic development	64,682	-	96,991
General government	115,031	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>2,240,321</u>	<u>31,357</u>	<u>96,991</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(977,463)</u>	<u>274,293</u>	<u>72,618</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	6,668	-	-
Operating transfers in	937,388	-	-
Operating transfers out	<u>(20,000)</u>	<u>(503,673)</u>	<u>(90,000)</u>
Net other financing sources (uses)	<u>924,056</u>	<u>(503,673)</u>	<u>(90,000)</u>

<u>Revenue</u>	<u>Capital Project</u>		
<u>Economic/ Industrial Development</u>	<u>GO Street Improvement 2003</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ -	\$ 265,113	\$ 1,069,242
-	-	-	167,830
-	-	230,604	230,604
-	-	-	6,425
1,205	-	770	25,080
-	270,027	59,207	661,290
-	-	1,190	300,125
-	-	73,334	85,111
<u>70,841</u>	<u>-</u>	<u>109,424</u>	<u>274,125</u>
<u>72,046</u>	<u>270,027</u>	<u>739,642</u>	<u>2,819,832</u>
-	-	-	819,197
-	-	-	541,160
-	-	-	731,608
44,226	-	-	205,899
-	-	-	115,031
-	539,807	325,778	865,585
-	36,951	188,675	225,626
<u>44,226</u>	<u>576,758</u>	<u>514,453</u>	<u>3,504,106</u>
<u>27,820</u>	<u>(306,731)</u>	<u>225,189</u>	<u>(684,274)</u>
-	-	-	6,668
-	269,780	855,678	2,062,846
-	-	(946,516)	(1,560,189)
<u>-</u>	<u>269,780</u>	<u>(90,838)</u>	<u>509,325</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, 2011

	<u>Special</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>TIF Capital Improvement</u>
NET CHANGE IN CASH BALANCES	(53,407)	(229,380)	(17,382)
CASH BALANCES, BEGINNING OF YEAR, as restated	<u>325,601</u>	<u>530,685</u>	<u>186,629</u>
CASH BALANCES, END OF YEAR	<u>\$ 272,194</u>	<u>\$ 301,305</u>	<u>\$ 169,247</u>
CASH BASIS FUND BALANCES:			
Nonspendable	\$ -	\$ -	\$ -
Restricted for:			
Urban renewal	-	-	169,247
Streets	-	301,305	-
Other purposes	-	-	-
Assigned for:			
Ambulance	250,739	-	-
Capital projects	-	-	-
Unemployment claims	81,769	-	-
Unassigned	<u>(60,314)</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 272,194</u>	<u>\$ 301,305</u>	<u>\$ 169,247</u>

<u>Revenue</u>	<u>Capital Project</u>		
<u>Economic/ Industrial Development</u>	<u>GO Street Improvement 2003</u>	<u>Nonmajor</u>	<u>Total</u>
27,820	(36,951)	134,351	(174,949)
<u>272,419</u>	<u>(917,226)</u>	<u>(1,288,924)</u>	<u>(890,816)</u>
<u>\$ 300,239</u>	<u>\$ (954,177)</u>	<u>\$ (1,154,573)</u>	<u>\$ (1,065,765)</u>
\$ -	\$ -	\$ 100,000	100,000
300,239	-	21,424	490,910
-	-	42,848	344,153
-	-	68,544	68,544
-	-	-	250,739
-	-	37,434	37,434
-	-	-	81,769
<u>-</u>	<u>(954,177)</u>	<u>(1,424,822)</u>	<u>(2,439,313)</u>
<u>\$ 300,239</u>	<u>\$ (954,177)</u>	<u>\$ (1,154,573)</u>	<u>\$ (1,065,765)</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, 2011

Total governmental funds cash balances (page 28) \$ (1,065,765)

***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.

342,599

Cash basis net assets of governmental activities (page 24) \$ (723,166)

Net change in cash balances (page 28) \$ (174,949)

***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.

229,907

**Change in cash basis net assets of governmental activities
(page 24)** \$ 54,956

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, 2011

	<u>Electric Operating</u>	<u>Electric Bond</u>	<u>Gas Operating</u>	<u>Gas Surplus</u>
OPERATING RECEIPTS:				
Licenses and permits	\$ 882	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	4,234,082	-	1,488,849	-
Miscellaneous	18,932	-	6,315	-
Total operating receipts	<u>4,253,896</u>	<u>-</u>	<u>1,495,164</u>	<u>-</u>
OPERATING DISBURSEMENTS:				
General government	-	-	-	-
Business type activities	3,191,365	-	1,428,145	-
Total operating disbursements	<u>3,191,365</u>	<u>-</u>	<u>1,428,145</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,062,531</u>	<u>-</u>	<u>67,019</u>	<u>-</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	14,472	6,341	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Net nonoperating receipts (disbursements)	<u>14,472</u>	<u>6,341</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,077,003</u>	<u>6,341</u>	<u>67,019</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	-	-	-
Bond proceeds	-	-	-	-
Operating transfers in	-	490,733	-	-
Operating transfers out	(1,216,091)	-	(22,585)	-
Net other financing sources (uses)	<u>(1,216,091)</u>	<u>490,733</u>	<u>(22,585)</u>	<u>-</u>
NET CHANGE IN CASH BALANCES	<u>(139,088)</u>	<u>497,074</u>	<u>44,434</u>	<u>-</u>
CASH BALANCES, BEGINNING OF YEAR	<u>1,378,210</u>	<u>693,826</u>	<u>50,983</u>	<u>437,501</u>
CASH BALANCES, END OF YEAR	<u>\$ 1,239,122</u>	<u>\$ 1,190,900</u>	<u>\$ 95,417</u>	<u>\$ 437,501</u>

<u>Enterprise</u>				<u>Internal Service</u>
<u>Additional Generation</u>	<u>2006 Electric Substation</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Nonmajor</u>
\$ -	\$ -	\$ -	\$ 882	\$ -
-	-	9,403	9,403	-
-	-	1,387,969	7,110,900	133,867
-	-	72,360	97,607	115,550
-	-	1,469,732	7,218,792	249,417
-	-	-	-	457,991
<u>1,174,408</u>	<u>-</u>	<u>1,386,552</u>	<u>7,180,470</u>	<u>-</u>
<u>1,174,408</u>	<u>-</u>	<u>1,386,552</u>	<u>7,180,470</u>	<u>457,991</u>
<u>(1,174,408)</u>	<u>-</u>	<u>83,180</u>	<u>38,322</u>	<u>(208,574)</u>
2,058	628	13,050	36,549	228,152
-	-	(377,544)	(377,544)	-
-	-	(148,118)	(148,118)	-
<u>2,058</u>	<u>628</u>	<u>(512,612)</u>	<u>(489,113)</u>	<u>228,152</u>
<u>(1,172,350)</u>	<u>628</u>	<u>(429,432)</u>	<u>(450,791)</u>	<u>19,578</u>
-	-	685	685	7,858
1,500,000	-	-	1,500,000	-
500,000	300,000	877,664	2,168,397	302,469
<u>(1,100,000)</u>	<u>-</u>	<u>(534,847)</u>	<u>(2,873,523)</u>	<u>(100,000)</u>
<u>900,000</u>	<u>300,000</u>	<u>343,502</u>	<u>795,559</u>	<u>210,327</u>
<u>(272,350)</u>	<u>300,628</u>	<u>(85,930)</u>	<u>344,768</u>	<u>229,905</u>
<u>389,250</u>	<u>177,409</u>	<u>756,638</u>	<u>3,883,817</u>	<u>112,694</u>
<u>\$ 116,900</u>	<u>\$ 478,037</u>	<u>\$ 670,708</u>	<u>\$ 4,228,585</u>	<u>\$ 342,599</u>

(continued)

CITY OF TIPTON

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

As of and for the year ended June 30, 2011

	<u>Electric Operating</u>	<u>Electric Bond</u>	<u>Gas Operating</u>	<u>Gas Surplus</u>
CASH BASIS FUND BALANCES:				
Restricted:				
Debt service	\$ -	\$ 432,939	\$ -	\$ -
Other purposes	-	-	-	-
Unrestricted	<u>1,239,122</u>	<u>757,961</u>	<u>95,417</u>	<u>437,501</u>
Total cash basis fund balances	<u>\$ 1,239,122</u>	<u>\$ 1,190,900</u>	<u>\$ 95,417</u>	<u>\$ 437,501</u>

<u>Enterprise</u>				<u>Internal Service</u>
<u>Additional Generation</u>	<u>2006 Electric Substation</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Nonmajor</u>
\$ -	\$ -	\$ 609,099	\$ 1,042,038	\$ -
-	-	29,801	29,801	-
<u>116,900</u>	<u>478,037</u>	<u>31,808</u>	<u>3,156,746</u>	<u>342,599</u>
<u>\$ 116,900</u>	<u>\$ 478,037</u>	<u>\$ 670,708</u>	<u>\$ 4,228,585</u>	<u>\$ 342,599</u>

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

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

(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, 2011

(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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 not meeting the definition of the preceding categories. 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.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

The TIF Capital Improvement Fund is used to account for tax incremental financing activities restricted for capital improvement expenditures.

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

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, all of which are enterprise 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 2006 Electrical Fund is used to account for the electrical substation.

C. Measurement Focus and Basis of Accounting

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

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

(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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded budgeted amounts in the debt service function.

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2009, to compute the amounts which became liens on property on July 1, 2010. These taxes were due and payable in two installments on September 30, 2010 and March 31, 2011, 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, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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

(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 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>
2012	\$ 289,000	\$ 37,544	\$1,763,000	\$ 166,427	\$2,052,000	\$ 203,971
2013	300,000	26,056	272,000	103,796	572,000	129,852

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

	General Obligation Bonds and Notes		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$1,020,295</u>	<u>\$ 105,689</u>	<u>\$4,709,000</u>	<u>\$ 737,776</u>	<u>\$5,729,295</u>	<u>\$ 843,465</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.

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 \$1,163,426. For the current year, principal and interest paid and total customer net receipts were \$167,354 and \$474,731, 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.

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(3) Bonds and Notes Payable (continued)

- 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, 2011, 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 \$2,730,860. For the current year, principal and interest paid and total customer net receipts were \$210,190 and \$451,783, 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, 2011, the City was in compliance with all the provisions above.

Interest expense for the current year totaled \$198,269.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

	Transfers Out										Totals
	General	RUT	TIF Capital Improvement	Electric	Additional Generation Fund	Gas	Special Revenue	Nonmajor Enterprise	Capital Projects	Internal Service Funds	
Transfers In:											
General	\$ 20,000	\$ 54,900	\$ -	\$ 399,381	\$ -	\$ -	\$ 252,037	\$ 111,070	\$ -	\$ 100,000	\$ 937,388
GO street improvement	-	269,780	-	-	-	-	-	-	-	-	269,780
Electric bond reserve fund	-	-	-	-	432,939	-	57,794	-	-	-	490,733
Nonmajor governmental funds	-	178,993	-	-	-	-	636,685	40,000	-	-	855,678
Electric substation	-	-	-	300,000	-	-	-	-	-	-	300,000
Additional generation	-	-	-	500,000	-	-	-	-	-	-	500,000
Nonmajor enterprise	-	-	90,000	14,241	367,061	22,585	-	383,777	-	-	877,664
Internal service funds	-	-	-	2,469	300,000	-	-	-	-	-	302,469
	<u>\$ 20,000</u>	<u>\$ 503,673</u>	<u>\$ 90,000</u>	<u>\$ 1,216,091</u>	<u>\$ 1,100,000</u>	<u>\$ 22,585</u>	<u>\$ 946,516</u>	<u>\$ 534,847</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 4,533,712</u>

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(4) **Interfund Transfers** (continued)

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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$115,709, \$103,729 and \$98,789, respectively, equal to the required contributions for each year.

(6) **Health Insurance**

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

	<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, 2011, 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, 2011 is \$55,891. This liability has been computed based on rates of pay in effect at June 30, 2011, and primarily relates to the General Fund.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

(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, 2011, the City advanced TEDCO \$10,000. The balance due to the City at June 30, 2011 totaled \$612,114.

(9) Long-term Receivables

In fiscal year ended June 2010, the City was awarded an ARRA grant up to the amount of \$94,000 for them to loan out to area businesses. The grant aims to create and save jobs, spur economic activity, and invest in long term growth.

The City lends out money to approved area businesses and then submits a request to the federal government for reimbursement. Agreements with the businesses carry a 5 year maturity.

The table below reflects transactions as of and for the year ended June 30, 2011:

Amount loaned out to area businesses	\$ 30,000
Principal payments received	<u>1,803</u>
Ending balance on long-term receivables	<u>\$ 28,197</u>
ARRA Grant line of credit balance, beginning of year	\$ 94,000
Amount in use	<u>(28,197)</u>
Amount available to lend by the City	<u>\$ 65,803</u>
Amount distributed to area businesses	\$ 30,000
Amount received from the federal government	<u>15,000</u>
Amount owed to the City from the federal government	<u>\$ 15,000</u>

(10) 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.

(11) Construction Project Commitments

As of June 30, 2011, the City has various outstanding construction contracts totaling \$29,214.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

(12) 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.

(13) Deficit Fund Balances

The following funds had deficit balances at June 30, 2011:

Debt Service	\$ (13,199)
Special Revenue:	
Aquatic Campaign	(699,791)
Library Trust	(4,867)
Capital Projects:	
Public Works Building	(873)
Streetscapes Project	(633,777)
Fire Station Project	(72,315)
Enterprise:	
Water Tower Project	(289,266)
Garbage Collection	(33,766)
69 KV Substation Project	(529,476)
Cemetery Enterprise	(23,186)
Water Operating	(26,883)
Airport Operating	(102,013)
Internal Service:	
PSF Health Insurance	(14,100)

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, 2011**

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Special Revenue - Ambulance Trust	Special Revenue - Unemployment Trust
Balances June 30, 2010, as previously reported	\$ (55,498)	\$ 300,055	\$ 81,044
Change in fund type classification per implementation of GASB Statement No. 54	<u>381,099</u>	<u>(300,055)</u>	<u>(81,044)</u>
Balances July 1, 2010, as restated	<u>\$ 325,601</u>	<u>\$ -</u>	<u>\$ -</u>

(15) Subsequent Events

In July 2011, the City authorized the issuance of \$2,615,000 in general obligation bonds for corporate purposes and refunded 2011A GO Bonds.

Subsequent to year end, the City approved contracts in the amount of \$845,763 for capital projects.

Management evaluated subsequent events through February 16, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to February 16, 2012 that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011 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, 2011.

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Total</u>
RECEIPTS:				
Property tax	\$ 1,069,242	\$ -	\$ -	\$ 1,069,242
Tax increment financing	167,830	-	-	167,830
Other city tax	230,604	-	-	230,604
Licenses and permits	6,425	882	-	7,307
Use of money and property	25,080	264,701	228,152	61,629
Intergovernmental	661,290	9,403	-	670,693
Charges for services	300,125	7,244,767	133,867	7,544,892
Special assessments	85,111	-	-	85,111
Miscellaneous	274,125	213,157	115,550	371,732
	<u>2,819,832</u>	<u>7,732,910</u>	<u>477,569</u>	<u>10,209,040</u>
Total receipts				
DISBURSEMENTS:				
Public safety	819,197	-	-	819,197
Public works	541,160	-	-	541,160
Culture and recreation	731,608	-	-	731,608
Community and economic development	205,899	-	-	205,899
General government	115,031	457,991	457,991	115,031
Debt service	865,585	377,544	-	1,243,129
Capital projects	225,626	148,118	-	373,744
Business type activities	-	7,180,470	-	7,180,470
	<u>3,504,106</u>	<u>8,164,123</u>	<u>457,991</u>	<u>11,210,238</u>
Total disbursements				
Excess (deficiency) of receipts over (under) disbursements	(684,274)	(431,213)	19,578	(1,001,198)
OTHER FINANCING SOURCES (USES), NET				
	<u>509,325</u>	<u>1,005,886</u>	<u>210,327</u>	<u>1,304,884</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(174,949)	574,673	229,905	303,686
BALANCES BEGINNING OF YEAR				
	<u>(890,816)</u>	<u>3,996,511</u>	<u>112,694</u>	<u>2,993,001</u>
BALANCES END OF YEAR				
	<u>\$ (1,065,765)</u>	<u>\$ 4,571,184</u>	<u>\$ 342,599</u>	<u>\$ 3,296,687</u>

<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 1,042,982	\$ 1,042,982	\$ 26,260
167,001	167,001	829
211,672	211,672	18,932
9,850	16,625	(9,318)
873,602	874,191	(812,562)
435,312	723,163	(52,470)
8,388,731	8,388,731	(843,839)
40,500	40,500	44,611
<u>699,719</u>	<u>732,227</u>	<u>(360,495)</u>
<u>11,869,369</u>	<u>12,197,092</u>	<u>(1,988,052)</u>
848,830	924,528	105,331
524,179	618,539	77,379
764,024	773,345	41,737
217,780	247,006	41,107
118,480	224,334	109,303
287,456	291,434	(951,695)
317,500	4,382,307	4,008,563
<u>12,791,120</u>	<u>12,871,520</u>	<u>5,691,050</u>
<u>15,869,369</u>	<u>20,333,013</u>	<u>9,122,775</u>
(4,000,000)	(8,135,921)	7,134,723
<u>4,000,000</u>	<u>8,301,000</u>	<u>(6,996,116)</u>
-	165,079	138,607
<u>4,775,073</u>	<u>4,775,073</u>	<u>-</u>
<u>\$ 4,775,073</u>	<u>\$ 4,940,152</u>	<u>\$ 138,607</u>

See accompanying independent auditor's report.

CITY OF TIPTON

Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2011

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 nine 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 revenues by \$327,723 and budgeted disbursements by \$4,463,644. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, 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, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Trust</u>	<u>Total Nonmajor Governmental Funds</u>
RECEIPTS:					
Property tax	\$ 205,238	\$ 59,875	\$ -	\$ -	\$ 265,113
Other city tax	230,604	-	-	-	230,604
Use of money and property	473	255	42	-	770
Intergovernmental	-	-	59,207	-	59,207
Charges for services	-	-	-	1,190	1,190
Special assessments	62,744	-	10,590	-	73,334
Miscellaneous	108,424	-	1,000	-	109,424
	<u>607,483</u>	<u>60,130</u>	<u>70,839</u>	<u>1,190</u>	<u>739,642</u>
DISBURSEMENTS:					
Debt service	-	325,778	-	-	325,778
Capital projects	1,000	-	187,675	-	188,675
	<u>1,000</u>	<u>325,778</u>	<u>187,675</u>	<u>-</u>	<u>514,453</u>
Excess (deficiency) of receipts over (under) disbursements	<u>606,483</u>	<u>(265,648)</u>	<u>(116,836)</u>	<u>1,190</u>	<u>225,189</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	231,721	623,957	-	855,678
Operating transfers out	<u>(946,516)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(946,516)</u>
Net other financing sources (uses)	<u>(946,516)</u>	<u>231,721</u>	<u>623,957</u>	<u>-</u>	<u>(90,838)</u>

Schedule 1

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Trust</u>	<u>Total Nonmajor Governmental Funds</u>
NET CHANGE IN CASH BALANCES	(340,033)	(33,927)	507,121	1,190	134,351
CASH BALANCES, BEGINNING OF YEAR, as restated	<u>(235,000)</u>	<u>20,728</u>	<u>(1,174,966)</u>	<u>100,314</u>	<u>(1,288,924)</u>
CASH BALANCES, END OF YEAR	<u>\$(575,033)</u>	<u>\$(13,199)</u>	<u>\$(667,845)</u>	<u>\$ 101,504</u>	<u>\$(1,154,573)</u>
CASH BASIS FUND BALANCES:					
Nonspendable	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000
Restricted for:					
Streets	21,424	-	-	-	21,424
Urban renewal	42,848	-	-	-	42,848
Other purposes	65,354	-	1,686	1,504	68,544
Assigned for capital projects	-	-	37,434	-	37,434
Unassigned	<u>(704,658)</u>	<u>(13,199)</u>	<u>(706,965)</u>	<u>-</u>	<u>(1,424,822)</u>
Total cash basis fund balances	<u>\$(575,033)</u>	<u>\$(13,199)</u>	<u>\$(667,845)</u>	<u>\$ 101,504</u>	<u>\$(1,154,573)</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, 2011

	<u>Trust and Agency</u>	<u>Local Option Tax</u>
RECEIPTS:		
Property tax	\$ 205,238	\$ -
Other city tax	-	230,604
Use of money and property	248	176
Special assessments	-	-
Miscellaneous	-	-
	<hr/>	<hr/>
Total receipts	205,486	230,780
	<hr/>	<hr/>
DISBURSEMENTS:		
Capital projects	-	-
	<hr/>	<hr/>
Total disbursements	-	-
	<hr/>	<hr/>
Excess of receipts over disbursements	205,486	230,780
	<hr/>	<hr/>
OTHER FINANCING USES		
Operating transfers out	(203,287)	(195,000)
	<hr/>	<hr/>
Total other financing uses	(203,287)	(195,000)
	<hr/>	<hr/>
NET CHANGE IN CASH BALANCES	2,199	35,780
CASH BALANCES, BEGINNING OF YEAR, as restated	17,773	49,915
	<hr/>	<hr/>
CASH BALANCES, END OF YEAR	\$ 19,972	\$ 85,695
	<hr/>	<hr/>
CASH BASIS FUND BALANCES:		
Restricted for:		
Streets	\$ -	\$ 21,424
Urban renewal	-	42,848
Other purposes	19,972	21,424
Unassigned	-	-
	<hr/>	<hr/>
Total cash basis fund balances	\$ 19,972	\$ 85,695
	<hr/>	<hr/>

Schedule 2

<u>Aquatic Campaign</u>	<u>Library Trust</u>	<u>PS Share Trust</u>	<u>Fire Trust</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 205,238
-	-	-	-	230,604
-	-	17	32	473
-	-	-	62,744	62,744
<u>104,019</u>	<u>2,166</u>	<u>2,239</u>	<u>-</u>	<u>108,424</u>
<u>104,019</u>	<u>2,166</u>	<u>2,256</u>	<u>62,776</u>	<u>607,483</u>
<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
<u>103,019</u>	<u>2,166</u>	<u>2,256</u>	<u>62,776</u>	<u>606,483</u>
<u>(486,457)</u>	<u>-</u>	<u>-</u>	<u>(61,772)</u>	<u>(946,516)</u>
<u>(486,457)</u>	<u>-</u>	<u>-</u>	<u>(61,772)</u>	<u>(946,516)</u>
(383,438)	2,166	2,256	1,004	(340,033)
<u>(316,353)</u>	<u>(7,033)</u>	<u>7,227</u>	<u>13,471</u>	<u>(235,000)</u>
<u>\$ (699,791)</u>	<u>\$ (4,867)</u>	<u>\$ 9,483</u>	<u>\$ 14,475</u>	<u>\$ (575,033)</u>
\$ -	\$ -	\$ -	\$ -	\$ 21,424
-	-	-	-	42,848
-	-	9,483	14,475	65,354
<u>(699,791)</u>	<u>(4,867)</u>	<u>-</u>	<u>-</u>	<u>(704,658)</u>
<u>\$ (699,791)</u>	<u>\$ (4,867)</u>	<u>\$ 9,483</u>	<u>\$ 14,475</u>	<u>\$ (575,033)</u>

CITY OF TIPTON

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds - Capital Projects

As of and for the year ended June 30, 2011

	Capital			
	GO Street Improvement	Skate Park Project	Aquatic Center Project	Street- scapes Project
RECEIPTS:				
Use of money and property	\$ 4	\$ 38	\$ -	\$ -
Intergovernmental	-	59,207	-	-
Special assessments	-	-	-	10,590
Miscellaneous	-	-	-	-
Total receipts	<u>4</u>	<u>59,245</u>	<u>-</u>	<u>10,590</u>
DISBURSEMENTS:				
Capital projects	<u>-</u>	<u>825</u>	<u>100</u>	<u>172,962</u>
Excess (deficiency) of receipts over (under) disbursements	<u>4</u>	<u>58,420</u>	<u>(100)</u>	<u>(162,372)</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>-</u>	<u>24,375</u>	<u>486,457</u>	<u>73,125</u>
NET CHANGE IN CASH BALANCES	4	82,795	486,357	(89,247)
CASH BALANCES, BEGINNING OF YEAR	<u>1,682</u>	<u>(45,361)</u>	<u>(486,357)</u>	<u>(544,530)</u>
CASH BALANCES, END OF YEAR	<u>\$ 1,686</u>	<u>\$ 37,434</u>	<u>\$ -</u>	<u>\$ (633,777)</u>
CASH BASIS FUND BALANCES:				
Restricted for:				
Other purposes	1,686	-	-	-
Assigned for capital projects	-	37,434	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(633,777)</u>
Total cash basis fund balances	<u>\$ 1,686</u>	<u>\$ 37,434</u>	<u>\$ -</u>	<u>\$ (633,777)</u>

<u>Projects</u>		
<u>Fire Station Project</u>	<u>Public Works Building</u>	<u>Total Capital Project Funds</u>
\$ -	\$ -	\$ 42
-	-	59,207
-	-	10,590
<u>1,000</u>	<u>-</u>	<u>1,000</u>
1,000	-	70,839
12,915	873	187,675
(11,915)	(873)	(116,836)
40,000	-	623,957
28,085	(873)	507,121
(100,400)	-	(1,174,966)
<u>\$ (72,315)</u>	<u>\$ (873)</u>	<u>\$ (667,845)</u>
-	-	1,686
-	-	37,434
<u>(72,315)</u>	<u>(873)</u>	<u>(706,965)</u>
<u>\$ (72,315)</u>	<u>\$ (873)</u>	<u>\$ (667,845)</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, 2011

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Total</u>
OPERATING RECEIPTS:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 9,403	\$ 9,403
Charges for service	-	474,731	-	451,783	461,455	1,387,969
Miscellaneous	12,137	13,742	12,581	649	33,251	72,360
Total operating receipts	12,137	488,473	12,581	452,432	504,109	1,469,732
OPERATING DISBURSEMENTS:						
Business type activities:						
Electric	10,792	-	-	-	-	10,792
Water	-	440,658	-	-	-	440,658
Gas	-	-	9,986	-	-	9,986
Wastewater	-	-	-	274,097	-	274,097
Communications	-	-	-	-	3,119	3,119
Airport	-	-	-	-	173,470	173,470
Garbage	-	-	-	-	427,472	427,472
Cemetery	-	-	-	-	46,958	46,958
Total operating disbursements	10,792	440,658	9,986	274,097	651,019	1,386,552
Excess (deficiency) of operating receipts over (under) operating disbursements	1,345	47,815	2,595	178,335	(146,910)	83,180
NONOPERATING RECEIPTS (DISBURSEMENTS):						
Interest on investments	3,642	489	425	4,311	4,183	13,050
Debt service	-	(167,354)	-	(210,190)	-	(377,544)
Capital projects	(115,548)	(32,570)	-	-	-	(148,118)
Net nonoperating receipts (disbursements)	(111,906)	(199,435)	425	(205,879)	4,183	(512,612)
Excess (deficiency) of receipts over (under) disbursements	(110,561)	(151,620)	3,020	(27,544)	(142,727)	(429,432)
OTHER FINANCING SOURCES (USES):						
Sale of fixed assets	-	-	-	-	685	685
Operating transfers in	367,061	217,654	-	256,123	36,826	877,664
Operating transfers out	-	(177,654)	-	(337,273)	(19,920)	(534,847)
Net other financing sources (uses)	367,061	40,000	-	(81,150)	17,591	343,502

Schedule 4

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Total</u>
NET CHANGE IN CASH BALANCES	256,500	(111,620)	3,020	(108,694)	(125,136)	(85,930)
CASH BALANCES, BEGINNING OF YEAR	<u>(8,308)</u>	<u>23,895</u>	<u>24,948</u>	<u>725,880</u>	<u>(9,777)</u>	<u>756,638</u>
CASH BALANCES, END OF YEAR	<u>\$ 248,192</u>	<u>\$ (87,725)</u>	<u>\$ 27,968</u>	<u>\$ 617,186</u>	<u>\$ (134,913)</u>	<u>\$ 670,708</u>
CASH BASIS FUND BALANCES						
Restricted:						
Debt service	\$ -	\$ 225,173	\$ -	\$ 383,926	\$ -	\$ 609,099
Other purposes	13,945	3,251	12,605	-	-	29,801
Unrestricted	<u>234,247</u>	<u>(316,149)</u>	<u>15,363</u>	<u>233,260</u>	<u>(134,913)</u>	<u>31,808</u>
Total cash basis fund balances	<u>\$ 248,192</u>	<u>\$ (87,725)</u>	<u>\$ 27,968</u>	<u>\$ 617,186</u>	<u>\$ (134,913)</u>	<u>\$ 670,708</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, 2011

	<u>69 KV Substation Project</u>	<u>Electric Development</u>	<u>Electric Renewal/ Replacement</u>
OPERATING RECEIPTS:			
Miscellaneous	\$ -	\$ -	\$ -
OPERATING DISBURSEMENTS:			
Business type activities:			
Electric	<u>-</u>	<u>-</u>	<u>-</u>
Excess of operating receipts over operating disbursements	<u>-</u>	<u>-</u>	<u>-</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	1	17	360
Capital projects	<u>(115,548)</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>(115,547)</u>	<u>17</u>	<u>360</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(115,547)</u>	<u>17</u>	<u>360</u>
OTHER FINANCING SOURCES			
Operating transfers in	<u>-</u>	<u>-</u>	<u>173,600</u>
NET CHANGE IN CASH BALANCES	<u>(115,547)</u>	<u>17</u>	<u>173,960</u>
CASH BALANCES, BEGINNING OF YEAR	<u>(413,929)</u>	<u>8,465</u>	<u>181,577</u>
CASH BALANCES, END OF YEAR	<u>\$ (529,476)</u>	<u>\$ 8,482</u>	<u>\$ 355,537</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Other purposes	-	-	-
Unrestricted	<u>(529,476)</u>	<u>8,482</u>	<u>355,537</u>
Total cash basis fund balances	<u>\$ (529,476)</u>	<u>\$ 8,482</u>	<u>\$ 355,537</u>

Schedule 5

<u>Electric Reserve</u>	<u>Electric Meter Deposits</u>	<u>Totals</u>
\$ -	\$ 12,137	\$ 12,137
<u>-</u>	<u>10,792</u>	<u>10,792</u>
<u>-</u>	<u>1,345</u>	<u>1,345</u>
3,080	184	3,642
<u>-</u>	<u>-</u>	<u>(115,548)</u>
<u>3,080</u>	<u>184</u>	<u>(111,906)</u>
3,080	1,529	(110,561)
<u>193,461</u>	<u>-</u>	<u>367,061</u>
196,541	1,529	256,500
<u>203,163</u>	<u>12,416</u>	<u>(8,308)</u>
<u>\$ 399,704</u>	<u>\$ 13,945</u>	<u>\$ 248,192</u>
-	\$ 13,945	13,945
<u>399,704</u>	<u>-</u>	<u>234,247</u>
<u>\$ 399,704</u>	<u>\$ 13,945</u>	<u>\$ 248,192</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, 2011

	Water Revenue Bond Reserve	Water Operating	Water Meter Deposits	Water Tower Project	Totals
OPERATING RECEIPTS:					
Charges for service	\$ -	\$ 474,731	\$ -	\$ -	\$ 474,731
Miscellaneous	-	8,280	5,462	-	13,742
	<u>-</u>	<u>483,011</u>	<u>5,462</u>	<u>-</u>	<u>488,473</u>
Total operating receipts	-	483,011	5,462	-	488,473
OPERATING DISBURSEMENTS:					
Business type activities:					
Water	400	435,308	4,950	-	440,658
	<u>400</u>	<u>435,308</u>	<u>4,950</u>	<u>-</u>	<u>440,658</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(400)	47,703	512	-	47,815
	<u>(400)</u>	<u>47,703</u>	<u>512</u>	<u>-</u>	<u>47,815</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):					
Capital projects	-	-	-	(32,570)	(32,570)
Interest on investments	361	120	8	-	489
Debt service	(167,354)	-	-	-	(167,354)
	<u>(167,354)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,354)</u>
Net nonoperating receipts (disbursements)	(166,993)	120	8	-	(199,435)
	<u>(166,993)</u>	<u>120</u>	<u>8</u>	<u>-</u>	<u>(199,435)</u>
Excess (deficiency) of receipts over (under) disbursements	(167,393)	47,823	520	(32,570)	(151,620)
	<u>(167,393)</u>	<u>47,823</u>	<u>520</u>	<u>(32,570)</u>	<u>(151,620)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	167,654	-	-	50,000	217,654
Operating transfers out	-	(177,654)	-	-	(177,654)
	<u>167,654</u>	<u>(177,654)</u>	<u>-</u>	<u>50,000</u>	<u>40,000</u>
Net other financing sources (uses)	167,654	(177,654)	-	50,000	40,000
	<u>167,654</u>	<u>(177,654)</u>	<u>-</u>	<u>50,000</u>	<u>40,000</u>
NET CHANGE IN CASH BALANCES	261	(129,831)	520	17,430	(111,620)
CASH BALANCES, BEGINNING OF YEAR	224,912	102,948	2,731	(306,696)	23,895
	<u>224,912</u>	<u>102,948</u>	<u>2,731</u>	<u>(306,696)</u>	<u>23,895</u>
CASH BALANCES, END OF YEAR	\$ 225,173	\$ (26,883)	\$ 3,251	\$ (289,266)	\$ (87,725)
	<u>\$ 225,173</u>	<u>\$ (26,883)</u>	<u>\$ 3,251</u>	<u>\$ (289,266)</u>	<u>\$ (87,725)</u>
CASH BASIS FUND BALANCES:					
Restricted:					
Debt service	\$ 225,173	\$ -	\$ -	\$ -	\$ 225,173
Other purposes	-	-	3,251	-	3,251
Unrestricted	-	(26,883)	-	(289,266)	(316,149)
	<u>-</u>	<u>(26,883)</u>	<u>-</u>	<u>(289,266)</u>	<u>(316,149)</u>
Total cash basis fund balances	\$ 225,173	\$ (26,883)	\$ 3,251	\$ (289,266)	\$ (87,725)
	<u>\$ 225,173</u>	<u>\$ (26,883)</u>	<u>\$ 3,251</u>	<u>\$ (289,266)</u>	<u>\$ (87,725)</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, 2011

	<u>Gas D.E.I.</u>	<u>Gas Meter Deposits</u>	<u>Totals</u>
OPERATING RECEIPTS:			
Miscellaneous	\$ -	\$ 12,581	\$ 12,581
OPERATING DISBURSEMENTS:			
Business type activities:			
Gas	<u>-</u>	<u>9,986</u>	<u>9,986</u>
Excess of operating receipts over operating disbursements	-	2,595	2,595
NONOPERATING RECEIPTS:			
Interest on investments	<u>186</u>	<u>239</u>	<u>425</u>
Excess of receipts over disbursements	186	2,834	3,020
CASH BALANCES, BEGINNING OF YEAR	<u>15,177</u>	<u>9,771</u>	<u>24,948</u>
CASH BALANCES, END OF YEAR	<u>\$ 15,363</u>	<u>\$ 12,605</u>	<u>\$ 27,968</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Other purposes	-	12,605	12,605
Unrestricted	<u>15,363</u>	<u>-</u>	<u>15,363</u>
Total cash basis fund balances	<u>\$ 15,363</u>	<u>\$ 12,605</u>	<u>\$ 27,968</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, 2011

	Wastewater Debt Service	Waste Water Treatment	Totals
OPERATING RECEIPTS:			
Charges for services	\$ -	\$ 451,783	\$ 451,783
Miscellaneous	<u>-</u>	<u>649</u>	<u>649</u>
Total operating receipts	-	452,432	452,432
OPERATING DISBURSEMENTS:			
Business type activities:			
Wastewater	<u>5,933</u>	<u>268,164</u>	<u>274,097</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(5,933)</u>	<u>184,268</u>	<u>178,335</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	819	3,492	4,311
Debt service	<u>(210,190)</u>	<u>-</u>	<u>(210,190)</u>
Net nonoperating receipts (disbursements):	<u>(209,371)</u>	<u>3,492</u>	<u>(205,879)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(215,304)</u>	<u>187,760</u>	<u>(27,544)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	216,123	40,000	256,123
Operating transfers out	<u>-</u>	<u>(337,273)</u>	<u>(337,273)</u>
Net other financing sources (uses)	<u>216,123</u>	<u>(297,273)</u>	<u>(81,150)</u>
NET CHANGE IN CASH BALANCES	819	(109,513)	(108,694)
CASH BALANCES, BEGINNING OF YEAR	<u>383,107</u>	<u>342,773</u>	<u>725,880</u>
CASH BALANCES, END OF YEAR	<u>\$ 383,926</u>	<u>\$ 233,260</u>	<u>\$ 617,186</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Debt service	\$ 383,926	\$ -	\$ 383,926
Unrestricted	<u>-</u>	<u>233,260</u>	<u>233,260</u>
Total cash basis fund balances	<u>\$ 383,926</u>	<u>\$ 233,260</u>	<u>\$ 617,186</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, 2011

	Communications		
	<u>Local Access</u>	<u>Airport Operating</u>	<u>Garbage Collection</u>
OPERATING RECEIPTS:			
Intergovernmental	\$ -	\$ 7,924	\$ -
Charges for services	22,113	14,200	405,642
Miscellaneous	-	27,869	1,856
	<u>22,113</u>	<u>49,993</u>	<u>407,498</u>
Total operating receipts			
	<u>22,113</u>	<u>49,993</u>	<u>407,498</u>
OPERATING DISBURSEMENTS:			
Business type activities:			
Communications	3,119	-	-
Airport	-	173,470	-
Garbage	-	-	427,472
Cemetery	-	-	-
	<u>3,119</u>	<u>173,470</u>	<u>427,472</u>
Total operating disbursements			
	<u>3,119</u>	<u>173,470</u>	<u>427,472</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	18,994	(123,477)	(19,974)
NONOPERATING RECEIPTS:			
Interest on investments	451	1,832	-
	<u>451</u>	<u>1,832</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	19,445	(121,645)	(19,974)
	<u>19,445</u>	<u>(121,645)</u>	<u>(19,974)</u>
OTHER FINANCING SOURCES (USES):			
Sale of fixed assets	-	-	685
Operating transfers in	-	11,966	-
Operating transfers out	(19,920)	-	-
	<u>(19,920)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)			
	<u>(19,920)</u>	<u>11,966</u>	<u>685</u>
NET CHANGE IN CASH BALANCES	(475)	(109,679)	(19,289)
CASH BALANCES, BEGINNING OF YEAR	<u>24,527</u>	<u>7,666</u>	<u>(14,477)</u>
CASH BALANCES, END OF YEAR	<u>\$ 24,052</u>	<u>\$ (102,013)</u>	<u>\$ (33,766)</u>
CASH BASIS FUND BALANCES:			
Unrestricted	<u>\$ 24,052</u>	<u>\$ (102,013)</u>	<u>\$ (33,766)</u>

Schedule 9

<u>Cemetery Enterprise</u>	<u>Totals</u>
\$ 1,479	\$ 9,403
19,500	461,455
<u>3,526</u>	<u>33,251</u>
 24,505	 504,109
 -	 3,119
-	173,470
-	427,472
<u>46,958</u>	<u>46,958</u>
 46,958	 651,019
 (22,453)	 (146,910)
 <u>1,900</u>	 <u>4,183</u>
 <u>(20,553)</u>	 <u>(142,727)</u>
 -	 685
24,860	36,826
<u>-</u>	<u>(19,920)</u>
 24,860	 17,591
 4,307	 (125,136)
<u>(27,493)</u>	<u>(9,777)</u>
<u>\$ (23,186)</u>	<u>\$ (134,913)</u>
 <u>\$ (23,186)</u>	 <u>\$ (134,913)</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, 2011

	<u>Central Garage</u>	<u>PSF Health Insurance</u>	<u>City Reserve</u>
OPERATING RECEIPTS:			
Charges for services	\$ -	\$ -	\$ -
Miscellaneous	29,208	85,291	-
	<hr/>	<hr/>	<hr/>
Total operating receipts	29,208	85,291	-
	<hr/>	<hr/>	<hr/>
OPERATING DISBURSEMENTS:			
Business type activities	246,955	81,263	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of operating receipts over (under) operating disbursements	(217,747)	4,028	-
NONOPERATING RECEIPTS:			
Interest on investments	225,051	-	3,100
	<hr/>	<hr/>	<hr/>
Excess of receipts over disbursements	7,304	4,028	3,100
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,469	-	300,000
Transfers out	-	-	(100,000)
Proceeds from sale of assets	7,858	-	-
	<hr/>	<hr/>	<hr/>
Net other financing sources (uses)	10,327	-	200,000
	<hr/>	<hr/>	<hr/>
NET CHANGE IN CASH BALANCES	17,631	4,028	203,100
CASH BALANCES, BEGINNING OF YEAR	22,757	(18,128)	107,527
	<hr/>	<hr/>	<hr/>
CASH BALANCES, END OF YEAR	\$ 40,388	\$ (14,100)	\$ 310,627
	<hr/>	<hr/>	<hr/>
CASH BASIS FUND BALANCES:			
Unrestricted	\$ 40,388	\$ (14,100)	\$ 310,627
	<hr/>	<hr/>	<hr/>

Schedule 10

<u>Administrative Services</u>	<u>Payroll Account</u>	<u>Totals</u>
\$ 133,867	\$ -	\$ 133,867
<u>-</u>	<u>1,051</u>	<u>115,550</u>
133,867	1,051	249,417
<u>129,773</u>	<u>-</u>	<u>457,991</u>
4,094	1,051	(208,574)
<u>1</u>	<u>-</u>	<u>228,152</u>
<u>4,095</u>	<u>1,051</u>	<u>19,578</u>
-	-	302,469
-	-	(100,000)
<u>-</u>	<u>-</u>	<u>7,858</u>
<u>-</u>	<u>-</u>	<u>210,327</u>
4,095	1,051	229,905
<u>325</u>	<u>213</u>	<u>112,694</u>
<u>\$ 4,420</u>	<u>\$ 1,264</u>	<u>\$ 342,599</u>
<u>\$ 4,420</u>	<u>\$ 1,264</u>	<u>\$ 342,599</u>

CITY OF TIPTON
Schedule of Indebtedness
Year Ended June 30, 2011

<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%	\$ 650,000
Street improvement	May 1, 2003	1.50-3.90%	1,500,000
Fire truck acquisition note	July 15, 2010	3.25%	319,295
Total			
Revenue notes:			
Electric revenue	August 17, 2010	2.99%	2,500,000
Water revenue	July 1, 2002	4.25-5.4%	1,305,000
Sewer revenue	June 30, 2003	3.00%	3,200,000
Total			
Anticipation project notes:			
Street construction	Various	3.95%	1,500,000
Total indebtedness			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 480,000	\$ -	\$ 90,000	\$ 390,000	\$ 17,963	\$ -
500,000	-	160,000	340,000	18,693	-
<u>319,295</u>	<u>-</u>	<u>29,000</u>	<u>290,295</u>	<u>9,224</u>	<u>-</u>
<u>1,299,295</u>	<u>-</u>	<u>279,000</u>	<u>1,020,295</u>	<u>45,880</u>	<u>-</u>
-	1,500,000	-	1,500,000	-	-
1,090,000	-	115,000	975,000	52,354	-
<u>2,373,000</u>	<u>-</u>	<u>139,000</u>	<u>2,234,000</u>	<u>71,190</u>	<u>-</u>
<u>3,463,000</u>	<u>1,500,000</u>	<u>254,000</u>	<u>4,709,000</u>	<u>123,544</u>	<u>-</u>
<u>510,961</u>	<u>-</u>	<u>510,961</u>	<u>-</u>	<u>28,846</u>	<u>-</u>
<u>\$ 5,273,256</u>	<u>\$ 1,500,000</u>	<u>\$ 1,043,961</u>	<u>\$ 5,729,295</u>	<u>\$ 198,269</u>	<u>\$ -</u>

CITY OF TIPTON
Bond and Note Maturities
June 30, 2011

General Obligation Debt

Year Ending June 30,	<u>2008</u> <u>Street Improvement</u>		<u>2003</u> <u>Street Improvement</u>		<u>Fire Truck</u> <u>Acquisition Note</u>		<u>Total</u>
	<u>Issued Nov. 12, 2008</u>		<u>Issued May 1, 2003</u>		<u>Issued June 30, 2010</u> <u>(Reissued July 15, 2010)</u>		
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
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>\$ 390,000</u>		<u>\$ 340,000</u>		<u>\$ 290,295</u>	<u>\$1,020,295</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>	
2012	2.99%	\$1,500,000	4.70 %	\$ 120,000	3.00 %	\$ 143,000	\$1,763,000
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>\$1,500,000</u>		<u>\$ 975,000</u>		<u>\$2,234,000</u>	<u>\$4,709,000</u>

CITY OF TIPTON

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

For the Last Seven Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
RECEIPTS:							
Property tax	\$ 1,069,242	\$ 1,021,653	\$ 946,333	\$ 891,603	\$ 850,516	\$ 803,190	\$ 743,605
Tax increment financing collections	167,830	185,147	195,347	217,895	205,164	190,052	190,192
Other city tax	230,604	192,230	213,927	254,739	161,840	122,778	179,993
Licenses and permits	6,425	5,872	2,752	2,382	3,018	3,284	4,895
Use of money and property	25,080	27,311	33,043	55,653	106,135	95,100	70,247
Intergovernmental	661,290	1,031,392	356,288	623,166	543,011	485,671	752,268
Charges for service	300,125	298,786	321,711	271,547	276,239	247,844	208,929
Special assessments	85,111	82,429	118,011	72,766	61,562	14,012	26,228
Miscellaneous	274,125	238,415	393,094	386,325	669,881	339,310	2,632,575
Total	\$ 2,819,832	\$ 3,083,235	\$ 3,083,235	\$ 2,776,076	\$ 2,877,366	\$ 2,301,241	\$ 4,808,932
DISBURSEMENTS:							
Operating:							
Public safety	\$ 819,197	\$ 1,099,997	\$ 638,724	\$ 638,724	\$ 723,533	\$ 782,320	\$ 586,004
Public works	541,160	480,392	415,650	415,650	462,406	324,841	434,109
Culture and recreation	731,608	711,495	724,830	724,830	587,047	587,171	373,104
Community and economic development	205,899	226,975	206,325	206,325	73,788	-	51,291
General government	115,031	131,953	253,301	253,301	255,852	311,842	320,203
Debt service	865,585	1,224,387	600,297	600,297	592,008	416,710	266,375
Capital projects	225,626	2,119,457	982,900	982,900	895,413	1,135,574	5,597,107
Total	\$ 3,504,106	\$ 5,994,656	\$ 3,822,027	\$ 3,822,027	\$ 3,590,047	\$ 3,558,458	\$ 7,628,193

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 16, 2012. 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 and responses as item II-A-2011 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 and responses as item II-B-2011 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 and responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, 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 and responses. 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.



Cedar Rapids, Iowa
February 16, 2012

CITY OF TIPTON

Schedule of Findings and Responses

Year ended June 30, 2011

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-2011 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 and Responses

Year ended June 30, 2011

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

INTERNAL CONTROL DEFICIENCIES (CONTINUED)

II-B-2011 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 and Responses

Year ended June 30, 2011

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

III-H-2011 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-2011 Financial Condition - The following funds had deficit balances at June 30, 2011:

Debt Service	\$ (13,199)
Special Revenue:	
Aquatic Campaign	(699,791)
Library Trust	(4,867)
Capital Projects:	
Public Works Building	(873)
Streetscapes Project	(633,777)
Fire Station Project	(72,315)
Enterprise:	
Water Tower Project	(289,266)
Garbage Collection	(33,766)
69 KV Substation Project	(529,476)
Cemetery Enterprise	(23,186)
Water Operating	(26,883)
Airport Operating	(102,013)
Internal Service:	
PSF Health Insurance	(14,100)

Recommendation - The City should generate and implement a good strategic plan in order to accommodate these deficit balances over fiscal year 2012.

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

Conclusion - Response accepted.