CITY OF TIPTON, IOWA

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016

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CITY OF TIPTON

Officials

Before January 1, 2016

Name	Title	Term Expires
Shirley Kepford	Mayor	December 2015
Leanne Zearley	1st Ward Council Person	December 2015
Dean Anderson	2nd Ward Council Person	December 2017
Dawn Siech	3rd Ward Council Person	December 2015
Pamela Spear	At Large Council Person	December 2015
David Fry	At Large Council Person	December 2017
Chris Nosbisch	City Manager	December 2015
Tim Long	Interim City Manager	Temporary
Lorna Fletcher	Finance Officer/ City Clerk	Indefinite
Amy Lenz	Deputy City Clerk	Indefinite
Steve Nash	Director of Public Works	Indefinite
Virgil Penrod	Gas Superintendent	Indefinite
Floyd Taber	Electric Superintendent	Indefinite
Heath Holub	Chief of Police	Indefinite
L.E. Dendinger	City Attorney	Indefinite
Marvin Miller	Zoning Administrator	Indefinite
Terry Goerdt	Building Inspector	Indefinite

CITY OF TIPTON

Officials

After January 1, 2016

Name	Title	Term Expires
Bryan Carney	Mayor	December 2019
Ross Leeper, seated 11/16/15	1st Ward Council Person	December 2019
Dean Anderson	2nd Ward Council Person	December 2017
Tim McNeill	3rd Ward Council Person	December 2019
Pamela Spear	At Large Council Person	December 2019
Leanne Boots, elected 02/23/16	At Large Council Person	December 2017
Tim Long	Interim City Manager	Temporary
Lorna Fletcher	Finance Director	Indefinite
Amy Lenz	City Clerk	Indefinite
Steve Nash	Director of Public Works	Indefinite
Virgil Penrod	Gas Superintendent	Indefinite
Floyd Taber	Electric Superintendent	Indefinite
Lisa Kepford	Interim Chief of Police	Temporary
Lynch Dallas PC	City Attorney	Indefinite
Marvin Miller	Zoning Administrator	Indefinite
Terry Goerdt	Building Inspector	Indefinite

CITY OF TIPTON

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1.C. This includes determining the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, Iowa, as of June 30, 2016, 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.C.

Basis of Accounting

As described in Note 1.C, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of a Matter – Restatement

As discussed in Note 14 to the financial statements, certain errors resulting in an overstatement of cash balances in the business-type activities and aggregate remaining fund information and an understatement of cash balances in governmental activities and general fund were discovered by management of the City during the current year. Accordingly, amounts reported for cash balances in the governmental activities, business-type activities, general fund and aggregate remaining fund information have been restated to correct the error. Our opinions are unmodified with respect to these matters.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tipton, Iowa's basic financial statements. The supplementary information included in Schedules 1 through 14, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Tipton, Iowa's financial statements for the nine years ended June 30, 2015, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Those audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tipton, Iowa's basic financial statements as a whole. The supplementary information included in Schedule 14 for the nine years ended June 30, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements for those nine years ended June 30, 2015.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nine years ended June 30, 2015 presented in Schedule 14 are fairly stated, in all material respects, in relation to the basic financial statements from which they have been derived.

The other information which consists of Management's Discussion and Analysis, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of City Contributions, and the budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with the *Government Auditing Standards,* we have also issued our report dated February 24, 2017 on our consideration of the City of Tipton, Iowa'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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tipton, Iowa's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
February 24, 2017

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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, 2016. Readers are encouraged to consider this information in conjunction with the City's financial statements which follow.

2016 FINANCIAL HIGHLIGHTS

- The City's total cash basis net position increased by 3.73% at the close of fiscal year 2016, or $311,075. Governmental activities cash basis net position increased by $640,924.
- City governmental activities revenues and transfers increased by $18,617, or 0.41%, when compared to fiscal year 2015.
- General government activities expenditures increased by $81,975, or 2.10%, during this same period. This increase was due to an increase in debt service expenditures and the restatement of the Cemetery Enterprise Fund and Communications Local Access Fund to be included in the General Fund in the current year.
- Business type activities (the City's enterprise funds) revenues decreased by $620,067, or 7.6%, and direct operating expenses increased by $23,030 or 0.34% when compared to the prior year, which is attributable to a lower demand for gas and wastewater in fiscal year 2016 as well as the restatement noted above.
- The City has $10,118,413 in long term debt compared to $11,566,343 at the close of fiscal year 2015. The change between years is due to the scheduled debt service payments.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Statement of Activities and Net Position - 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 and 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.
- Other Information provides budgetary comparison schedules of receipts, disbursements, and changes in balances - budget to actual (cash basis) for all governmental and proprietary funds.
- Supplementary Information provides detailed information about the nonmajor funds and the City's indebtedness.

USING THIS ANNUAL REPORT (CONTINUED)

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 Position reports information which helps answer this question. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statements of Activities and Net Position are 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, garbage collection, communications, airport, and cemetery. 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, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund - Cemetery Trust. 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.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Fund Financial Statements

- 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, water, and gas funds, as well as reserves for revenue bonds. 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 position 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 $2,145,530 (as restated) to $2,728,998. The analysis that follows focuses on the changes in cash basis net position of governmental activities:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
GOVERNMENTAL ACTIVITIES

	Year Ended June 30, 2016	Year Ended June 30, 2015
Receipts and transfers:		
Program receipts:		
Charges for services	$ 449,520	$ 391,678
Operating grants, contributions, and restricted interest	489,052	492,573
Capital grants, contributions, and restricted interest	10,591	10,238
General receipts:		
Property tax	1,343,369	1,340,407
Tax Increment Financing	184,986	254,853
Local option sales tax	263,236	261,084
Commercial & industrial replacement tax	47,671	-
Rent	14,758	14,288
Unrestricted investment earnings	9,838	7,205
Miscellaneous	858,502	259,199
Debt proceeds	-	900,568
Sale of assets	10,761	-
Interfund loans	1,474	28,115
Transfers, net	881,628	586,561
Total receipts and transfers	4,565,386	4,546,769
Disbursements:		
General government:		
Public safety	1,138,500	1,097,954
Public works	498,895	584,010
Culture and recreation	846,433	834,658
Community and economic development	117,298	174,275
General government	135,711	182,257
Debt service	951,307	875,983
Capital projects	293,774	150,806
Total general government disbursements	3,981,918	3,899,943
Change in Cash Basis Net Position	583,468	646,826
Cash Basis Net Position, Beginning of Year, as Restated	2,145,530	1,441,217
Cash Basis Net Position, End of Year	$ 2,728,998	$ 2,088,043

Note: Information for 2016 includes the restatement as discussed in Note 14 of the financial statements. The prior year was not adjusted for this restatement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total receipts for governmental activities increased by $18,617 from the previous year. The total cost of all governmental programs increased by $82,006 with no new programs added during the year. There was an increase in debt service expenditures in the current year.

The City increased the property tax rates for 2016 less than 1% (0.917%), from $13.09 to $13.21 per $1,000 of taxable assessment. The increase was due to a higher rate of levy for the Special Revenue levies for employee benefits ($3.0262 to $3.10851 for FY 16). This was offset by a reduction in the Debt Service Levy from $1.25565 to $1.23076. The general government levy remained capped at $8.10 per $1,000 of assessed taxable valuation. The overall 3.01% increase in levy proceeds ($1,308,383 to $1,347,766 for FY 2016) is mostly due to a rise in overall assessed valuation, from $99,037,138 (regular, not debt service or ag land) to $101,362,162 for FY 2016.

The cost of all governmental activities this year was $3,981,949, compared to $3,899,943 last year. The amount financed by taxpayers was $1,791,591. The remainder was financed by charges for services for those directly benefiting from the programs of $449,520 or by other governments or organizations that subsidized certain programs with grants, contributions, and restricted interest of $499,643.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS

BUSINESS TYPE ACTIVITIES

	Year Ended June 30, 2016	Year Ended June 30, 2015
Receipts:		
Program receipts:		
Charges for services	$ 7,352,614	$ 7,745,448
Operating grants, contributions, and restricted interest	-	83,330
General receipts:		
Rent	9,680	8,300
Unrestricted investment earnings	18,997	18,120
Miscellaneous	119,532	126,442
Debt proceeds	-	140,000
Sale of assets	750	-
Total receipts	7,501,573	8,121,640
Disbursements:		
Electric	3,790,126	3,670,717
Water	620,826	431,412
Gas	1,380,251	1,642,922
Wastewater	512,164	567,090
Airport	69,705	109,029
Garbage	412,440	396,085
Stormwater	105,321	-
Cemetary	-	50,548
Total disbursements	6,890,833	6,867,803
Change in cash basis net assets before transfers	610,740	1,253,837
Interfund loans	(1,474)	(28,115)
Transfers, net	(881,628)	(586,561)
Change in Cash Basis Net Position	(272,362)	639,161
Cash Basis Net Position, Beginning of Year, as Restated	6,183,314	5,601,640
Cash Basis Net Position, End of Year	$ 5,910,952	$ 6,240,801

Note: Information for 2016 includes the restatement as discussed in Note 14 of the financial statements. The prior year was not adjusted for this restatement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Total business type activities receipts for the fiscal year were $7,501,573 compared to $8,038,310 last year. This change was due primarily to a decrease in gas and electricity sold during the year. Total disbursements and net transfers for the fiscal year were $8,235,716 compared to $7,482,719 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed this year, its governmental funds reported a combined fund balance of $2,407,019, an increase from last year's total of $1,171,443. There were a handful of funds that closed out to the funds below which was cause for the increase in these specific funds. 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 $72,537 from the prior year to a fund balance of $449,267.

2. The Road Use Tax (RUT) Fund cash balance increased $171,583 from the prior year to a fund balance of $617,076 due to more funds received and less funds transferred out of the fund.

3. Economic/Industrial Development Fund increased $44,194 from the prior year to a fund balance of $592,094.

4. JKF Aquatic Center Fund increased $405,594 from the prior year to a fund balance of $659,691. This large increase was due to the receipt of funds from a lawsuit.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City completed this year, its enterprise funds reported a combined fund balance of $5,726,171, a decrease from last year's total of $5,967,419 (as restated). The following are the major reasons for the changes of fund balances of the enterprise funds from the prior year.

1. The Electric Fund cash balance decreased $278,966 to $4,591,008 due a decrease in usage of electricity.

2. The Gas Fund cash balance decreased $27,803 to $533,021 due to a decrease in demand for gas.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time which resulted in an increase in budgeted receipts of $1,089,574 and budgeted disbursements of $1,903,514 to provide for additional disbursements in certain City departments.

DEBT ADMINISTRATION

On June 30, 2016, the City had $10,118,413 in bonds and other long-term debt, compared to $11,566,343 at the beginning of the year.

Outstanding debt at June 30, 2016 and 2015:

	2016	2015
General Obligation Bonds:		
Fire truck acquisition	$ 138,413	$ 170,343
Corporate Purpose 2011A	1,350,000	1,520,000
Corporate Purpose 2011B	670,000	800,000
Corporate Purpose 2011C	1,045,000	1,270,000
Refunding Bond 2012A	550,000	685,000
Corporate Purpose 2013	745,000	925,000
Corporate Purpose 2015	920,000	1,000,000
Total	5,418,413	6,370,343
Sewer revenue	1,475,000	1,636,000
Electric revenue 2011	1,130,000	1,300,000
Electric revenue 2012	2,095,000	2,260,000
Total	4,700,000	5,196,000
Total indebtedness	$ 10,118,413	$ 11,566,343

Debt decreased as a result of making more principal and interest payments during the year than the new debt that was issued. 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 $5,418,413 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.).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

Revenues (Continued)

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 over time, negatively affecting local government revenue sources. Most significant is the "assessment limitation order" of the state legislature, or "rollback" of property tax on commercial, and now multifamily residential rental property will have further negative effects on real estate tax receipts in the future, as the State's "backstop program" to reimburse cities for the shortfall is diminished. There are even fewer signs than last year that such revenue sharing from the State will return to previous levels, and every indication that caps on local real estate will continue to diminish those receipts.

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 which are both a pro rata share of the cost of administration and a "Payment in lieu of taxes" (PILOT) that would otherwise be collected from a for-profit utility that owned property in the community. Both before and after June 30, 2016 there have been discussions with the Council about reducing the amount of support for the General Fund derived from the Utility Funds over a period of years. The ongoing competitiveness and vitality of those utilities is important to the City's well-being, therefore we are considering reducing those payments so as to invest in further improvements for the Utilities' infrastructure.

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 will fluctuate from year to year. Further, the very low rate of interest available for approved securities and deposits limits the revenue from those investments. In an effort to eliminate trying to time investments to 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.). Given the goals of the City Council to provide for some "breathing space" with the transitions to a newly elected Mayor and several members of the City Council in January, along with the hiring of an interim City Manager that same month, no significant changes in programs were planned for the remainder of FY 2016.

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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

Expenses (Continued)

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. The City Council authorized the review of all positions for market competitiveness in 2015. The outcome of the study was accepted for use in contract negotiations with the City's bargaining unit, and a contract was successfully negotiated during the winter of 2015/16. The contract called for a 2% increase in wages for all staff except for a six positions whose wage lagged behind the market average. Those classifications received an additional 2% increase to maintain market viability to retain or attract competent staff.

Capital Equipment. One of the Electric Utility's diesel generating units was taken out of service mid-winter in FY 2016 due to wear and operational issues. After reviewing the need to maintain generation capacity for the community, and return on investment for buying replacement generation, the Council approved the purchase of a used, certified quick-start Caterpillar engine – generator set, and the unit was purchased and installed in an expansion bay of the newer generator building for a cost of just over $600,000. The unit was in service and available by fall, 2016, and generation capacity credits will begin to accrue to the City through its association with the Resale Power Group of Iowa, a wholesale energy purchasing association. The purchase was made using available Electric Utility Fund reserves.

Capital Improvements. The City Council recognized that storm water management and infiltration of storm water into the City's sanitary sewer system was a problem needing more direct intervention. In 2015 the Council contracted with an engineering firm to conduct a system-wide analysis and determine the most cost-effective corrections to reduce groundwater intrusion and basement back-ups through the community. This analysis will ultimately lead to repairs and improvements being considered, beginning in FY 2017, with funding to come from the City's storm water fee and sewer rates. Other than the study during the year ending June 30, 2016, no significant actions took place.

Re-municipalization of Water and Sewer Operations. Following a year of study and a second look at the assumptions and analysis from late 2015, the City Council approved allowing a long term service contract with Alliance Water Resources to expire at the end of FY 2016. It was determined that bringing the operations back in-house, including the staffing-up to meet the operations requirements, would save the Water and Sewer funds more than $50,000 per year. Thus far, the City's experience in FY 2017 is bearing out the analysis.

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. The downward pressure of increased oil production and slowing consumption has provided reduced costs for the City, especially with regard to both fuel and energy costs. We are remaining cautious, however, and anticipate the possibility of sudden increases in the cost of energy, and have budgeted conservatively.

Future factors and budget

Tipton's elected and appointed officials considered the above factors when establishing the FY 2016 budget, tax rates, and fees that will be charged for various City activities. Overall employment levels for both the City and surrounding County have remained steady from the previous year. The median household income remains virtually unchanged. Cities continue to monitor bills presented to the Legislature regarding the future of rollback, backfill, and further effects it may have on the budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

Future factors and budget (Continued)

The City continues to operate its sewer plant on an expired permit and will be required to make system upgrades to meet the tighter effluent requirements. The City implemented a storm water fee to provide funding to reduce inflow and infiltration in to the sanitary sewer system, and anticipates beginning significant work to that end in FY 2018, in concert with street improvements.

The City Council retained an executive search firm to assist with their finding a permanent replacement for the city manager position, and following the recommendation of that firm's principal, came to an agreement with the interim city manager to stay on for a year in the interest of finding a less competitive market for manager candidates in 2017. In the spring of 2016, the City's long-term Finance Director announced her retirement for the spring of 2017, and plans were put in place to hire a replacement prior to her departure.

Revenues

For FY 2016, the City's Regular General Levy remained at the maximum $8.10 / $1,000 of assessed value, with the total levy at $13.21 / $1,000. The City Council has discussed increasing the levies for general government purposes for FY 2018 to offset increased costs of operation, and begin to reduce the reliance on City Utilities payments that are in excess of the usual and customary 5% Payment in Lieu of Taxes drawn from utility revenues. Debt service permissible levies are expected to decrease a small amount from FY 2016's $1.23076 / $1,000, due largely to the increase in property valuations during the past year. The proposed decrease in commercial and industrial rollback should be negated somewhat by the backfill established by the State of Iowa, although the backfill amount is determined annually by the legislature of the State of Iowa, and should not prudently be counted upon.

A 1% annual increase in electric rates took effect in May 2015; in the spring of 2016, the City undertook a comprehensive rates analysis, conducted by the economist for the Resale Power Group of Iowa, who recommended a restructuring of commercial and residential rates. The recommendations would slightly reduce residential consumption charges while increasing base charges and do the same to a lesser extent for Commercial and Industrial rates. Interim management determined to not implement those changes pending more exhaustive review of the matter, and those rates remained constant through the end of FY 2016 and into FY 2017. The City completed large increases in both sewer and water rate during the 2014 fiscal year and does not expect additional increases for either fund until further assessment is made of available cash flow and needed improvements to meet the state's requirements and to address community problems. The City reviewed its refuse pick-up costs and service levels, and last year discussed privatizing the service. Garbage rates were increased substantially during 2014 to maintain a positive cash flow for the service. In a post-year end event in the fall of 2016, management was advised that costs for recycling were going to rise sufficiently that a significant rate increase could be necessary. As a result, management is revisiting the refuse and recycling operations again. The City has introduced and adopted a storm water fee for all properties, which will be used as stated above. With the weakened national demand for energy and still abundant sources of natural gas, management does not foresee significant changes in the price of natural gas for FY 2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

Expenses, 2015-2016

Given the changes in the City Council and management that occurred during the year ending June 30, 2016, and the pending storm water and sewer study and recommendations anticipated for FY 2017, interim management recommended little capital improvements other than what was urgently necessary. Management staff recommended no new debt issues for FY 2015-16 and none were budgeted or planned for in FY 2017. One capital expense that became necessary to deal with in 2016 and rolled over into FY 2017 was as a result of having to take one of the Electric Utility's engine / generator units out of service for maintenance and repair. It was determined that the quickest and most economical way to replace the 2 mW generator was by purchasing a used, certified Caterpillar diesel generator set and install it in an expansion bay in the Utility's new generator building. This was accomplished largely in a post- year-end event for a cost of just over $600,000. The replacement unit brought the Utility's capacity back up to about 8 mW of power, and will maintain the continuance of capacity payments for the Utility from the Resale Power Group of Iowa. There were two vacant employee positions during the year which were not filled, and may be re-considered for FY 2018.

Expenses anticipated, 2016 and thereafter

Given changes in management at the end of calendar year 2015, present and interim administration is planning no significant changes for FY 2016-17; this is in order to assess the City's fund balances, cash flow, and to plan for significant future storm water, sewer and street repair work utilizing the storm water fee and other revenue sources.

As noted above, the repairs necessary at the James Kennedy Aquatic Center will be planned for and completed over a multi-year timeline, based on a prioritization of immediate need and funds available, including the $600,000 settlement.

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,

Tim Long
Interim City Manager
City of Tipton, Iowa

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BASIC FINANCIAL STATEMENTS

CITY OF TIPTON

Statement of Activities and Net Position - Cash Basis

As of and for the year ended June 30, 2016

		Program Receipts	
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	$ 1,138,500	$ 240,467	$ 4,400
Public works	498,895	2,490	415,335
Culture and recreation	846,433	163,851	60,809
Community and economic development	117,298	25,427	95
General government	135,711	17,285	8,413
Debt service	951,307	-	-
Capital projects	293,774	-	-
Total governmental activities	3,981,918	449,520	489,052
Business type activities:			
Electric	3,790,126	4,120,213	-
Water	620,826	665,155	-
Gas	1,380,251	1,340,771	-
Wastewater	512,164	589,569	-
Airport	69,705	20,185	-
Garbage	412,440	515,603	-
Stormwater	105,321	101,118	-
Total business type activities	6,890,833	7,352,614	-
Total	$ 10,872,751	$ 7,802,134	$ 489,052
GENERAL RECEIPTS AND TRANSFERS:			
Property and other city taxes levied for:			
General purposes			
Employee benefits			
Debt service			
Tax increment financing			
Local option sales tax			
Commercial & industrial replacement tax			
Rent			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Interfund loans			
Transfers			
Total general receipts and transfers			

Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position: Governmental Activities	Business Type Activities	Total
$ -	$ (893,633)	$ -	$ (893,633)
10,591	(70,479)	-	(70,479)
-	(621,773)	-	(621,773)
-	(91,776)	-	(91,776)
-	(110,013)	-	(110,013)
-	(951,307)	-	(951,307)
-	(293,774)	-	(293,774)
10,591	(3,032,755)	-	(3,032,755)
-	-	330,087	330,087
-	-	44,329	44,329
-	-	(39,480)	(39,480)
-	-	77,405	77,405
-	-	(49,520)	(49,520)
-	-	103,163	103,163
-	-	(4,203)	(4,203)
-	-	461,781	461,781
$ 10,591	(3,032,755)	461,781	(2,570,974)
	955,638	-	955,638
	307,628	-	307,628
	80,103	-	80,103
	184,986	-	184,986
	263,236	-	263,236
	47,671	-	47,671
	14,758	9,680	24,438
	9,838	18,997	28,835
	858,502	119,532	978,034
	10,761	750	11,511
	1,474	(1,474)	-
	881,628	(881,628)	-
	3,616,223	(734,143)	2,882,080

(continued)

CITY OF TIPTON

Statement of Activities and Net Position - Cash Basis

As of and for the year ended June 30, 2016

		Program Receipts	
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest
CHANGE IN CASH BASIS NET POSITION			
CASH BASIS NET POSITION, BEGINNING OF YEAR, AS RESTATED			
CASH BASIS NET POSITION, END OF YEAR			
CASH BASIS NET POSITION:			
Restricted:			
Nonexpendable			
Expendable:			
Urban renewal purposes			
Debt service			
Streets			
Other purposes			
Unrestricted			
TOTAL CASH BASIS NET POSITION			

	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Capital Grants, Contributions, and Restricted Interest	**Governmental Activities**	**Business Type Activities**	**Total**
	$ 583,468	$ (272,362)	$ 311,106
	2,145,530	6,183,314	8,328,844
	$ 2,728,998	$ 5,910,952	$ 8,639,950
	$ 100,000	$ -	$ 100,000
	791,461	-	791,461
	173,566	2,127,574	2,301,140
	684,283	-	684,283
	1,032,573	20,534	1,053,107
	(52,885)	3,762,844	3,709,959
	$ 2,728,998	$ 5,910,952	$ 8,639,950

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, 2016

	General
RECEIPTS:	
Property tax	$ 902,986
Tax increment financing	-
Other city tax	-
Licenses and permits	17,235
Use of money and property	17,790
Intergovernmental	86,736
Charges for services	431,235
Special assessments	-
Miscellaneous	126,664
Total receipts	1,582,646
DISBURSEMENTS:	
Operating:	
Public safety	1,138,500
Public works	488,814
Culture and recreation	847,347
Community and economic development	73,587
General government	162,611
Debt service	-
Capital projects	-
Total disbursements	2,710,859
Excess (deficiency) of receipts over disbursements	(1,128,213)
OTHER FINANCING SOURCES (USES):	
Proceeds from sale of capital assets	10,761
Proceeds on revolving loan program	-
Long-term debt issued	-
Interfund loan	-
Interfund loan advances	(3,213)
Transfers in	1,131,350
Transfers out	(83,222)
Net other financing sources (uses)	1,055,676

Special Revenue		Capital Projects		
Road Use Tax	Economic/ Industrial Development	JFK Aquatic Center	Nonmajor	Total
$ -	$ -	$ -	$ 440,383	$ 1,343,369
-	-	-	184,986	184,986
-	-	-	263,236	263,236
-	-	-	-	17,235
-	1,692	1,731	2,646	23,859
398,050	-	-	15,979	500,765
-	-	-	1,050	432,285
-	-	-	9,818	9,818
-	42,502	650,001	76,059	895,226
398,050	44,194	651,732	994,157	3,670,779
-	-	-	-	1,138,500
10,081	-	-	-	498,895
-	-	-	-	847,347
-	-	-	43,711	117,298
-	-	-	5,750	168,361
-	-	-	951,307	951,307
-	-	118,318	175,456	293,774
10,081	-	118,318	1,176,224	4,015,482
387,969	44,194	533,414	(182,067)	(344,703)
-	-	-	-	10,761
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(3,213)
-	-	-	935,971	2,067,321
(216,386)	-	(127,820)	(744,082)	(1,171,510)
(216,386)	-	(127,820)	191,889	903,359

(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, 2016

		General
NET CHANGE IN CASH BALANCES	$	(72,537)
CASH BALANCES, BEGINNING OF YEAR, AS RESTATED		521,804
CASH BALANCES, END OF YEAR	$	449,267
CASH BASIS FUND BALANCES:		
Nonspendable	$	-
Restricted for:		
Urban renewal		-
Debt service		-
Streets		-
Other purposes		13,152
Assigned for:		
Ambulance		108,345
Capital projects		-
Unemployment claims		79,687
Unassigned (deficit)		248,083
Total cash basis fund balances	$	449,267

Exhibit B

Special Revenue		Capital Projects		
Road Use Tax	Economic/ Industrial Development	JKF Aquatic Center	Nonmajor	Total
$ 171,583	$ 44,194	$ 405,594	$ 9,822	$ 558,656
445,493	547,900	254,097	79,100	1,848,394
$ 617,076	$ 592,094	$ 659,691	$ 88,922	$ 2,407,050
$ -	$ -	$ -	$ 100,000	$ 100,000
-	592,094	-	199,367	791,461
-	-	-	173,566	173,566
617,076	-	-	67,207	684,283
-	-	-	129,593	142,745
		-		
-	-	-	-	108,345
-	-	659,691	42,105	701,796
-	-	-	-	79,687
-	-	-	(622,916)	(374,833)
$ 617,076	$ 592,094	$ 659,691	$ 88,922	$ 2,407,050

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

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Exhibit C

CITY OF TIPTON

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position - Cash Basis - Governmental Funds

As of and for the year ended June 30, 2016

Total governmental funds cash balances (page 31)	$ 2,407,050
Amounts reported for governmental activities in the Statement of Activities and Net Position 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 cash balance is included in governmental activities in the Cash Basis Statement of Activities and Net Position.	321,948
Cash basis net position of governmental activities (page 27)	$ 2,728,998

Net change in cash balances (page 31)	$ 558,656
Amounts reported for governmental activities in the Statement of Activities and Net Position 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 the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities.	24,812
Change in cash basis net position of governmental activities (page 27)	$ 583,468

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, 2016

	Enterprise	
	Electric	**Gas**
OPERATING RECEIPTS:		
Licenses and permits	$ 500	$ -
Use of money and property	14,127	1,689
Charges for services	4,119,713	1,340,771
Miscellaneous	51,060	26,636
Total operating receipts	4,185,400	1,369,096
OPERATING DISBURSEMENTS:		
Business type activities	3,360,786	1,365,607
Total operating disbursements	3,360,786	1,365,607
Excess (deficiency) of operating receipts over operating disbursements	824,614	3,489
NONOPERATING RECEIPTS (DISBURSEMENTS):		
Interest on investments	4,504	246
Debt service	(420,352)	-
Net nonoperating receipts (disbursements)	(415,848)	246
Excess (deficiency) of receipts over disbursements	408,766	3,735
OTHER FINANCING SOURCES (USES):		
Sale of Capital Assets	750	-
Interfund loan	-	-
Interfund loan advance	(2,138)	(1,538)
Transfers in	-	-
Transfers out	(686,344)	(30,000)
Net other financing sources (uses)	(687,732)	(31,538)
NET CHANGE IN CASH BALANCES	(278,966)	(27,803)
CASH BALANCES, BEGINNING OF YEAR, AS RESTATED	4,869,974	560,824
CASH BALANCES, END OF YEAR	$ 4,591,008	$ 533,021

Enterprise		
Nonmajor	**Totals**	**Internal Service**
$ -	$ 500	$ -
854	16,670	-
1,891,630	7,352,114	344,473
41,836	119,532	297,978
1,934,320	7,488,816	642,451
1,387,433	6,113,826	632,478
1,387,433	6,113,826	632,478
546,887	1,374,990	9,973
6,574	11,324	1,427
(333,064)	(753,416)	-
(326,490)	(742,092)	1,427
220,397	632,898	11,400
-	750	-
-	-	9,678
(1,801)	(5,477)	(988)
370,058	370,058	4,573
(523,133)	(1,239,477)	(30,965)
(154,876)	(874,146)	(17,702)
65,521	(241,248)	(6,302)
536,621	5,967,419	513,031
$ 602,142	$ 5,726,171	$ 506,729

(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, 2016

	Enterprise	
	Electric	**Gas**
CASH BASIS FUND BALANCES:		
Restricted:		
Debt service	$ 1,736,291	$ -
Other purposes	11,491	7,412
Unrestricted	2,843,226	525,609
Total cash basis fund balances	$ 4,591,008	$ 533,021

Enterprise		
Nonmajor	**Totals**	**Internal Service**
$ 391,283	$ 2,127,574	$ -
1,631	20,534	-
209,228	3,578,063	506,729
$ 602,142	$ 5,726,171	$ 506,729

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

Exhibit E

CITY OF TIPTON

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position - Cash Basis – Proprietary Funds

As of and for the year ended June 30, 2016

Total enterprise funds cash balances (page 34)	$ 5,726,171
Amounts reported for business-type activities in the Statement of Activities and Net Position 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 cash balance is included in business-type activities in the Cash Basis Statement of Activities and Net Position.	184,781
Cash basis net position of business-type activities (page 27)	$ 5,910,952
Net change in cash balances (page 34)	$ (241,248)
Amounts reported for business-type activities in the Statement of Activities and Net Position 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 the cash balance of the Internal Service Fund is reported with business-type activities in the Cash Basis Statement of Activities.	(31,114)
Change in cash basis net position of business-type activities (page 27)	$ (272,362)

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

(1) Summary of Significant Accounting Policies

The City of Tipton, Iowa (the City), 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, Iowa, 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 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 Cash Basis Statement of Activities and Net Position (previously referred to as 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.

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

B. Basis of Presentation (continued)

Government-wide Financial Statement - (continued)
The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's permanent fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 and enterprise funds are aggregated and reported as nonmajor governmental or nonmajor enterprise 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 and the capital improvement costs that are not paid from other funds.

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements – (continued)
Special Revenue:

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

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

The JFK Aquatic Center is a capital project fund used to account for the proceeds and expenses relating to the building of the aquatic center.

The City reports the following major proprietary funds:

The Enterprise, Electric Fund, accounts for the operation and maintenance of the City's electric system and accounts for the payments of the debt obligations related to the electric revenue bonds.

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

In addition, the City reports internal service funds which are used to account for the financing of goods or services provided to other funds on a cost reimbursement basis.

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 accounting principles generally accepted in the United States of America.

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 position 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.

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 are amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted amounts are 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 are amounts the City Council intends to use for specific purposes.

Unassigned are all amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting
The budgetary comparison and related disclosures are reported as Other Information.

F. Property Tax Calendar
The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2014, to compute the amounts which became liens on property on July 1, 2015. These taxes were due and payable in two installments on September 30, 2015 and March 31, 2016, 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, 2016 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.

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

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. 72.

At June 30, 2016, the City's deposits consisted of cash, cash equivalents and bank certificates of deposit as follows:

	Bank Value	Carrying Value
Checking account	$ 6,917,911	$ 6,758,075
Certificates of deposit	1,868,676	1,868,676
PSF health cash account	13,199	13,199
Total	$ 8,799,786	$ 8,639,950

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**

Long-term debt activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General governmental activities					
General obligation bonds	$ 6,370,343	$ -	$ 951,930	$ 5,418,413	$ 973,000
Business-type activities					
Revenue Bonds	$ 5,196,000	$ -	$ 496,000	$ 4,700,000	$ 506,000

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

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

	General Obligation Bonds and Notes		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 973,000	$ 117,715	$ 506,000	$ 124,990	$ 1,479,000	$ 242,705
2018	894,000	104,963	521,000	114,473	1,415,000	219,436
2019	875,000	87,022	536,000	102,768	1,411,000	189,790
2020	736,413	66,784	551,000	89,825	1,287,413	156,609
2021	580,000	50,206	567,000	75,875	1,147,000	126,081
2022-2026	1,360,000	75,841	1,799,000	175,629	3,159,000	251,470
2027	-	-	220,000	7,700	220,000	7,700
	$ 5,418,413	$ 502,531	$ 4,700,000	$ 691,260	$ 10,118,413	$ 1,193,791

General obligation notes issued on June 1, 2010, and subsequently reissued on July 15, 2010, provided funds to pay for the cost of a fire truck. The remaining outstanding balance as of June 30, 2016 is $138,413. The note matures in 2020 and has an interest rate of 3.25%.

General obligation notes issued August 3, 2011 provided funds to pay for the refunding of the Series 2003 bonds, which related to street projects. The remaining outstanding balance as of June 30, 2016 is $1,350,000. The note matures in 2023 and has an interest rate range of 2.00%-3.20%.

General obligation notes issued November 15, 2011 provided funds to pay for the cost of the 2011 Summer Water Projects, a Public Works Building addition, 2011 Street Projects, and equipment replacement. The note matures in 2024 and has a remaining outstanding balance of $670,000 as of June 30, 2016. The note has a range of interest rates from 1.50-2.85%.

General obligation notes issued November 15, 2011 provided funds to pay for the cost of downtown sidewalks, a water tower, 2008 Street Projects, and a salt shed. The remaining outstanding balance of the note is $1,045,000 as of June 30, 2016. The note will mature in 2022 and has an interest rate range of 2.25%-3.20%.

General obligation notes issued May 22, 2012 provided funds to refund the Water Revenue Note 2002. This note matures in 2020 and has a remaining outstanding balance of $550,000 at June 30, 2016. The note has a range of interest rates from 2.25%-3.20%.

General obligation notes issued March 19, 2013 provided funds to purchase vehicles for the City such as a garbage truck, street sweeper, police vehicle, and bucket truck. The remaining outstanding balance on the note as of June 30, 2016 is $745,000 with a maturity date of 2023. The note has interest rates from 0.75%-1.80%.

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

General obligation notes issued April 7, 2015 provided funds for the purchase of an ambulance and equipment for the police, fire, and emergency response departments, as well as street, sanitary sewer, storm sewer, water system, and park improvements. The remaining outstanding balance of the note is $920,000 as of June 30, 2016. The note will mature in 2026 and has an interest rate range of 1.50%-3.00%.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay $3,200,000 in sewer revenue bonds issued in June 2003. Proceeds from the bonds provided financing for the construction of sewer projects. The bonds are payable solely from sewer customer net receipts and are payable through 2029. Annual principal and interest payments on the bonds are expected to require less than 50% of net revenues. The total principal and interest remaining to be paid on the notes is $1,680,950. For the current year, principal and interest paid and total customer net revenues were $189,630 and $281,058, respectively.

The resolution providing for the issuance of the sewer revenue bonds 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, 2016, the City was in compliance with all the provisions above.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay $1,795,000 in electric revenue bonds issued in December 2011. Proceeds from the bonds provided financing for the construction of electric projects and current refunding of the Electric Revenue Notes issued in 2010. The bonds are payable solely from electric customer net revenues and are payable through 2022. The total principal and interest remaining to be paid on the notes is $1,227,345. For the current year, principal and interest paid and total customer net revenues were $198,140 and $815,239, respectively.

The resolution providing for the issuance of the electric revenue bonds Series 2011 includes the following provisions:

a) The bonds are payable from the net revenue of the utility which will be collected in a sinking fund and applied to the interest payment on the bonds.

b) The City certifies that it will not exceed $10,000,000 in tax exempt obligations during the current calendar year.

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

At June 30, 2016, the City was in compliance with all the provisions above.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay $2,720,000 in electric revenue bonds issued in March 2012. Proceeds from the bonds provided financing for the construction of electric projects. The bonds are payable solely from electric customer net revenues and are payable through 2027. The total principal and interest remaining to be paid on the notes is $2,482,965. For the current year, principal and interest paid and total customer net revenues were $222,212 and $815,239, respectively.

The resolution providing for the issuance of electric revenue bonds Series 2012 includes the following provisions:

a) The City shall generate net revenues from electric revenues equal to at least 125% of the maximum annual debt service.

b) An amount equal to 1/12th of the next principal payment due and 1/8th of the next interest payment due shall be set aside in a sinking fund on a month. After fiscal year 2012, an amount of 1/6th of interest coming due should be set aside in a sinking fund.

c) A reserve fund must be maintained for principal and interest.

At June 30, 2016, the City was in compliance with the provisions above.

Pursuant to the Code of Iowa, the City's general obligation debt is limited to 5% of assessed value as follows:

Assessed Value	$	170,278,393
Debt limit - 5% of assessed value	$	8,513,920
G.O. Debt outstanding		5,418,413
Debt margin	$	3,095,507

(4) Interfund Transfers and Loans/Advances

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

	Transfers Out								
						Nonmajor			
Transfers In:	General	Road Use Tax	JKFAC	Electric	Gas	Governmental	Enterprise	Internal Service	Total
General Fund	$ -	$ -	$ -	$ 632,506	$ 30,000	$ 408,844	$ 60,000	$ -	$ 1,131,350
Nonmajor: Governmental	83,222	216,386	127,820	41,862	-	310,238	319,198	30,965	1,129,691
Nonmajor: Enterprise	-	-	-	7,403	-	25,000	143,935	-	176,338
Nonmajor: Internal Service Funds	-	-	-	4,573	-	-	-	-	4,573
Total	$ 83,222	$ 216,386	$ 127,820	$ 686,344	$ 30,000	$ 744,082	$ 523,133	$ 30,965	$ 2,441,952

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.

There were also $483,644 of transfers within the same funds to different departments.

The detail of interfund loans and advances for the year ended June 30, 2016 is as follows:

	Interfund Advances							
	General	Water	Wastewater	Electric	Gas	Stormwater	Admin Services	Total
Interfund Loan:								
City Reserve	$ 1,538	$ 938	$ 863	$ 2,138	$ 1,538	$ 1,675	$ 988	$ 9,678

(5) Pension and Retirement Benefits

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 60306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

(5) **Pension and Retirement Benefits** (continued)

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year salary.)

Protection occupation members may retire at normal age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service, but not more than 30 years.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

(5) **Pension and Retirement Benefits** (continued)

Contributions - Contribution rates are established by IPERS following an annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and the methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.56% of pay and the City contributed 9.84% for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were $150,550.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City's liability for its proportionate share of the net pension liability totaled $884,350. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.018969% for Regular employees and 0.134446% for Protection Occupation employees, which was a decrease of 0.000421% for Regular employees and an increase of 0.002067% for Protection Occupation employees from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows, and deferred inflows totaled $95,149, $27,939, and $308,379, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (Effective June 30, 2014)	3.00% per annum
Rates of Salary Increases (Effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-Term Investment Rate of Return (Effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage Growth (Effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

(5) **Pension and Retirement Benefits** (continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24%	6.29%
International Equity	16%	6.75%
Private Equity/Debt	11%	11.32%
Real Estate	8%	3.48%
Credit Opportunities	5%	3.63%
U.S. TIPS	5%	1.91%
Other Real Assets	2%	6.24%
Cash	1%	(0.71%)
Total	100%	

Discount Rate **-** The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate **-** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

(5) **Pension and Retirement Benefits** (continued)

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net pension liability	$ 1,820,769	$ 884,350	$ 94,293

Pension Plan Fiduciary Net Position - Detailed information about IPERS fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website www.ipers.org.

(6) **Health Insurance**

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

Out of Pocket Limits

	Per Calendar Year	
	Single	Family
Employee	$ 500	$ 1,000
City	1,500	3,000

The City has established an internal service fund to account for and pay its share of this partial self-funding. As of June 30, 2016, 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 payable at termination of employment. It is payable when used and may be accumulated to a maximum of 1,000 hours.

Vacation is payable when used and may be accumulated to a maximum of 200 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, 2016 is $51,368. This liability has been computed based on rates of pay in effect at June 30, 2016.

(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 which is subject to sales covenants. The balance due to the City at June 30, 2016 totaled $582,813.

(9) Long-term Receivables

In fiscal year ended June 2010, the City was awarded an ARRA grant up to the amount of $94,000 to be loaned 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, 2016:

Amount loaned out to area businesses	$ 61,304
Proceeds Distributed	-
Principal payments received	13,396
Ending balance on long-term receivables	$ 47,908
ARRA Grant line of credit available balance	$ 94,000
Amount in use	47,908
Amount available to lend by the City	$ 46,092
Amount distributed to area businesses	$ 20,092
Amount distributed to area businesses during the year	-
Amount received from the federal government	-
Amount City forgiven by USDA, Rural Development	250
Amount owed to the City from the federal government	$ 19,842

(10) Risk Management and Contingencies

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. The risks exceeding retention amounts discussed in Note 6 are covered by the purchase of commercial insurance. The City assumes the 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.

The City is named as a defendant in various legal actions arising in the normal course of operations. The City's management believes the resolution of those actions will not have a material effect on the City's financial statements.

(11) Construction Project Commitments

As of June 30, 2016, the City has various outstanding construction contracts totaling $2,464.

(12) Commitments

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 closed in 1989 and Cedar County plans to complete the period of postclosure monitoring in 2019. The estimated cost of postclosure care is approximately $56,000. Actual postclosure care costs may be different due to inflation, changes in technology, or changes in regulations.

In the 2014-2015 fiscal year, the City entered into a five-year agreement with Clayton Energy Corp for natural gas.

(13) Deficit Fund Balances

The following funds had deficit balances at June 30, 2016:

Nonmajor Special Revenue:	
Aquatic Campaign	$ (603,280)
Nonmajor Enterprise:	
Airport Operating	(54,876)
Nonmajor Debt Service:	
GO Fire Truck	(19,636)

There have not been many changes in the discussions or plans for the Aquatic Campaign, but believe this will change once there is a new City Manager. The cost structure to improve the Airport's profitability is also being tabled until the new City Manager is hired. The deficit in the GO Fire Truck fund has been budgeted for excess funds to reduce the balance in fiscal year 2017.

(14) Restatement for Change in Correction of Error

There was one restatement in the June 30, 2016 fiscal year for the governmental activities and business-type activities. The activity of the Cemetery Enterprise Fund and the Communications Local Access Fund should be included as a sub fund of the General Fund and not reported separately as an Enterprise Fund. Prior to 2016, these funds were included as business-type activities.

The effect of the restatement on the respective cash basis net position of the business-type activities and governmental activities, and the cash balances in the General Fund and nonmajor enterprise funds is as follows:

	As Previously Reported	Correction of An Error	As Restated
Business-Type Activities	$ 6,240,801	$ (57,487)	$ 6,183,314
Governmental Activities	$ 2,088,043	$ 57,487	$ 2,145,530
General Fund	$ 464,317	$ 57,487	$ 521,804
Nonmajor Enterprise Funds	$ 594,108	$ (57,487)	$ 536,621

(15) Subsequent Events

Management evaluated subsequent events through February 24, 2017, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to February 24, 2017 that provided additional evidence about conditions that did not exist at June 30, 2016, but arose before the financial statements were available to be issued, have not been recognized for the year ended June 30, 2016.

OTHER 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 Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
RECEIPTS:				
Property tax	$ 1,343,369	$ -	$ -	$ 1,343,369
Tax increment financing	184,986	-	-	184,986
Other city tax	263,236	-	-	263,236
Licenses and permits	17,235	500	-	17,735
Use of money and property	23,859	29,421	1,427	51,853
Intergovernmental	500,765	-	-	500,765
Charges for services	432,285	7,696,587	344,473	7,784,399
Special assessments	9,818	-	-	9,818
Miscellaneous	895,226	417,510	297,978	1,014,758
Total receipts	3,670,779	8,144,018	643,878	11,170,919
DISBURSEMENTS:				
Public safety	1,138,500	-	-	1,138,500
Public works	498,895	-	-	498,895
Culture and recreation	847,347	-	-	847,347
Community and economic development	117,298	-	-	117,298
General government	168,361	632,478	632,478	168,361
Debt service	951,307	-	-	951,307
Capital projects	293,774	-	-	293,774
Business type activities	-	6,867,242	-	6,867,242
Total disbursements	4,015,482	7,499,720	632,478	10,882,724
Excess (deficiency) of receipts over disbursements	(344,703)	644,298	11,400	288,195
OTHER FINANCING SOURCES (USES), NET	903,359	(891,848)	(17,702)	29,213
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	558,656	(247,550)	(6,302)	317,408
BALANCES BEGINNING OF YEAR	1,848,394	6,480,450	513,031	7,815,813
BALANCES END OF YEAR	$ 2,407,050	$ 6,232,900	$ 506,729	$ 8,133,221

Budgeted Amounts		Final to Total
Original	Final	Variance
$ 1,331,292	$ 1,331,292	$ 12,077
179,475	179,475	5,511
226,474	246,774	16,462
7,100	7,100	10,635
298,955	375,822	(323,969)
657,055	699,131	(198,366)
8,420,519	8,580,824	(796,425)
29,000	29,000	(19,182)
1,071,316	1,861,282	(846,524)
12,221,186	13,310,700	(2,139,781)
997,457	1,252,560	114,060
752,476	786,684	287,789
842,299	954,610	107,263
181,937	164,605	47,307
210,968	257,674	89,313
871,362	1,072,828	121,521
-	972,824	679,050
8,424,687	8,722,915	1,855,673
12,281,186	14,184,700	3,301,976
(60,000)	(874,000)	1,162,195
60,000	874,000	844,787
-	-	317,408
7,042,857	7,042,857	(772,956)
$ 7,042,857	$ 7,042,857	$ (1,090,364)

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

CITY OF TIPTON

Notes to Other Information - Budgetary Reporting

June 30, 2016

The budgetary comparison is presented as Other 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 a 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 $1,089,514, and budgeted disbursements by $1,903,514. The budget amendment is reflected in the final budgeted amounts.

CITY OF TIPTON, IOWA

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Other Information

	2016	2015
City's proportion of the net pension liability:		
Regular	0.01897%	0.01939%
Protection Occupation	0.13445%	0.13238%
City's total proportionate share of the net pension liability	$ 884	$ 681
City's covered-employee payroll	$ 1,747	$ 1,716
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.60%	39.69%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditors' report.

Note: GASB 68 requires 10 years of information to be presented in this table. However, until a full 10 year trend is compiled, the City will present information for those years for which the information is available.

CITY OF TIPTON, IOWA

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	$ 151	$ 161	$ 158	$ 156	$ 142	$ 113	$ 104	$ 99	$ 88	$ 82
Contributions in relation to the statutorily required contribution	(151)	(161)	(158)	(156)	(142)	(113)	(104)	(99)	(88)	(82)
Contribution deficiency (excess)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll (regular)	$ 1,228	$ 1,308	$ 1,293	$ 1,326	$ 1,307	$ 1,129	$ 1,094	$ 1,106	$ 1,088	$ 1,051
City's covered-employee payroll (protection occupation)	$ 416	$ 439	$ 423	$ 399	$ 373	$ 346	$ 342	$ 338	$ 265	$ 237
Contributions as a percentage of covered-employee payroll (regular)	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%
Contributions as a percentage of covered-employee payroll (protection occupation)	9.84%	10.14%	10.14%	10.27%	9.97%	9.95%	9.20%	8.45%	8.47%	9.12%

CITY OF TIPTON, IOWA

Notes to Other Information – Pension Liability

Year Ended June 30, 2016

Changes in Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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SUPPLEMENTARY INFORMATION

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CITY OF TIPTON

Schedule 1

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances

Combining Nonmajor Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue	Debt Service	Capital Projects	Permanent Cemetery Trust	Total Nonmajor Governmental Funds
RECEIPTS:					
Property tax	$ 307,628	$ 132,755	$ -	$ -	$ 440,383
Tax increment financing collections	184,986	-	-	-	184,986
Other city tax	263,236	-	-	-	263,236
Use of money and property	1,415	846	385	-	2,646
Intergovernmental	11,475	4,504	-	-	15,979
Charges for services	-	-	-	1,050	1,050
Special assessments	-	9,818	-	-	9,818
Miscellaneous	75,937	-	122	-	76,059
Total receipts	844,677	147,923	507	1,050	994,157
DISBURSEMENTS:					
Operating:					
Community and economic development	43,711	-	-	-	43,711
General government	5,750	-	-	-	5,750
Debt service	-	951,307	-	-	951,307
Capital projects	-	-	175,456	-	175,456
Total disbursements	49,461	951,307	175,456	-	1,176,224
Excess (deficiency) of receipts over disbursements	795,216	(803,384)	(174,949)	1,050	(182,067)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	915,208	20,763	-	935,971
Transfers out	(739,041)	(4,441)	-	(600)	(744,082)
Net other financing sources (uses)	(739,041)	910,767	20,763	(600)	191,889
NET CHANGE IN CASH BALANCES	$ 56,175	$ 107,383	$ (154,186)	$ 450	$ 9,822
CASH BALANCES, BEGINNING OF YEAR	(265,639)	46,547	198,042	100,150	79,100
CASH BALANCES, END OF YEAR	$ (209,464)	$ 153,930	$ 43,856	$ 100,600	$ 88,922
CASH BASIS FUND BALANCES:					
Nonspendable	$ -	$ -	$ -	$ 100,000	$ 100,000
Restricted for:					
Urban renewal	199,367	-	-	-	199,367
Debt service	-	173,566	-	-	173,566
Streets	67,207	-	-	-	67,207
Other purposes	127,242	-	1,751	600	129,593
Assigned for capital projects	-	-	42,105	-	42,105
Unassigned	(603,280)	(19,636)	-	-	(622,916)
Total cash basis fund balances	$ (209,464)	$ 153,930	$ 43,856	$ 100,600	$ 88,922

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, 2016

	Employee Benefits	Local Option Tax	TIF Capital Improvement
RECEIPTS:			
Property tax	$ 307,628	$ -	$ -
Tax Increment Financing	-	-	184,986
Other city tax	-	263,236	-
Use of money and property	191	732	366
Intergovernmental	11,475	-	-
Miscellaneous	-	-	-
Total receipts	319,294	263,968	185,352
DISBURSEMENTS:			
Operating:			
Community and economic development	-	-	43,711
General government	-	-	4,750
Total disbursements	-	-	48,461
Excess (deficiency) of receipts over disbursements	319,294	263,968	136,891
OTHER FINANCING USES			
Transfers out	(326,303)	(192,868)	(154,870)
Total other financing uses	(326,303)	(192,868)	(154,870)
NET CHANGE IN CASH BALANCES	(7,009)	71,100	(17,979)
CASH BALANCES, BEGINNING OF YEAR	22,634	197,729	82,931
CASH BALANCES, END OF YEAR	$ 15,625	$ 268,829	$ 64,952
CASH BASIS FUND BALANCES:			
Restricted for:			
Streets	$ -	$ 67,207	$ -
Urban renewal	-	134,415	64,952
Other purposes	15,625	67,207	-
Unassigned	-	-	-
Total cash basis fund balances	$ 15,625	$ 268,829	$ 64,952

Schedule 2

Aquatic Campaign	Library Trust	PS Share Trust	Fire Trust	Totals
$ -	$ -	$ -	$ -	$ 307,628
-	-	-	-	184,986
-	-	-	-	263,236
-	21	60	45	1,415
-	-	-	-	11,475
(1)	660	2,845	72,433	75,937
(1)	681	2,905	72,478	844,677
-	-	-	-	43,711
-	-	1,000	-	5,750
-	-	1,000	-	49,461
(1)	681	1,905	72,478	795,216
-	-	-	(65,000)	(739,041)
-	-	-	(65,000)	(739,041)
(1)	681	1,905	7,478	56,175
(603,279)	7,458	21,775	5,113	(265,639)
$ (603,280)	$ 8,139	$ 23,680	$ 12,591	$ (209,464)
$ -	$ -	$ -	$ -	$ 67,207
-	-	-	-	199,367
-	8,139	23,680	12,591	127,242
(603,280)	-	-	-	(603,280)
$ (603,280)	$ 8,139	$ 23,680	$ 12,591	$ (209,464)

CITY OF TIPTON

Schedule 3

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances

Nonmajor Governmental Funds - Capital Projects

As of and for the year ended June 30, 2016

	Capital Projects							
	GO Street Improvement	**Skate Park Project**	**Street-scapes Project**	**Public Works Building**	**GO Street Improvement 2011**	**Wetland Mitigation Project**	**Fire Station Project**	**Total Capital Project Funds**
RECEIPTS:								
Use of money and property	$ 98	$ 17	$ 111	$ -	$ 50	$ 12	$ 97	$ 385
Miscellaneous	122	-	-	-	-	-	-	122
Total receipts	220	17	111	-	50	12	97	507
DISBURSEMENTS:								
Debt service	-	-	-	-	-	-	-	-
Capital projects	175,019	42	-	-	123	31	241	175,456
Total disbursements	175,019	42	-	-	123	31	241	175,456
Excess (deficiency) of receipts over disbursements	(174,799)	(25)	111	-	(73)	(19)	(144)	(174,949)
OTHER FINANCING SOURCES								
Long-term debt issued	-	-	-	-	-	-	-	-
Transfers in	20,763	-	-	-	-	-	-	20,763
Net other financing sources	20,763	-	-	-	-	-	-	20,763
NET CHANGE IN CASH BALANCES	(154,036)	(25)	111	-	(73)	(19)	(144)	(154,186)
CASH BALANCES, BEGINNING OF YEAR	155,787	25	41,994	-	73	19	144	198,042
CASH BALANCES, END OF YEAR	$ 1,751	$ -	$ 42,105	$ -	$ -	$ -	$ -	$ 43,856
CASH BASIS FUND BALANCES:								
Restricted for:								
Other purposes	$ 1,751	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,751
Assigned for capital projects	-	-	42,105	-	-	-	-	42,105
Total cash basis fund balances	$ 1,751	$ -	$ 42,105	$ -	$ -	$ -	$ -	$ 43,856

CITY OF TIPTON

Schedule 4

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Combining Nonmajor Proprietary Funds

As of and for the year ended June 30, 2016

	Water	Wastewater	Other	Total
OPERATING RECEIPTS:				
Use of money and property	$ -	$ 854	$ -	$ 854
Charges for services	665,155	589,569	636,906	1,891,630
Miscellaneous	6,800	4,352	30,684	41,836
Total operating receipts	671,955	594,775	667,590	1,934,320
OPERATING DISBURSEMENTS:				
Business type activities:				
Water	471,604	-	-	471,604
Wastewater	-	316,953	-	316,953
Airport	-	-	69,705	69,705
Garbage	-	-	423,850	423,850
Stormwater	-	-	105,321	105,321
Total operating disbursements	471,604	316,953	598,876	1,387,433
Excess (deficiency) of operating receipts over operating disbursements	200,351	277,822	68,714	546,887
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	927	562	5,085	6,574
Debt service	(143,434)	(189,630)	-	(333,064)
Net nonoperating receipts (disbursements)	(142,507)	(189,068)	5,085	(326,490)
Excess (deficiency) of receipts over disbursements	57,844	88,754	73,799	220,397
OTHER FINANCING SOURCES (USES):				
Interfund loan advance	(938)	(863)	-	(1,801)
Transfers in	168,935	193,720	7,403	370,058
Transfers out	(205,631)	(286,601)	(30,901)	(523,133)
Net other financing sources (uses)	(37,634)	(93,744)	(23,498)	(154,876)
NET CHANGE IN CASH BALANCES	20,210	(4,990)	50,301	65,521
CASH BALANCES, BEGINNING OF YEAR, AS RESTATED	283,167	259,261	(5,807)	536,621
CASH BALANCES, END OF YEAR	$ 303,377	$ 254,271	$ 44,494	$ 602,142
CASH BASIS FUND BALANCES				
Restricted:				
Debt service	$ 231,165	$ 160,118	$ -	$ 391,283
Other purposes	1,631	-	-	1,631
Unrestricted	70,581	94,153	44,494	209,228
Total cash basis fund balances	$ 303,377	$ 254,271	$ 44,494	$ 602,142

CITY OF TIPTON

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Combining Schedule - Electric Fund

As of and for the year ended June 30, 2016

	Electric Operating	Electric Bond Reserve	2006 Electric Substation	Additional Generation
OPERATING RECEIPTS:				
Licenses and permits	$ 500	$ -	$ -	$ -
Use of money and property	10,254	3,873	-	-
Charges for services	4,119,713	-	-	-
Miscellaneous	41,810	-	-	-
Total operating receipts	4,172,277	3,873	-	-
OPERATING DISBURSEMENTS:				
Business type activities:				
Electric	3,346,784	-	500	141
Excess (deficiency) of operating receipts over (under) operating disbursements	825,493	3,873	(500)	(141)
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	-	-	1,420	57
Debt service	-	-	(222,212)	-
Total nonoperating receipts (disbursements):	-	-	(220,792)	57
Excess (deficiency) of receipts over disbursements	825,493	3,873	(221,292)	(84)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	750	-	-	-
Interfund loan advance	(2,138)	-	-	-
Transfers in	-	-	222,713	-
Transfers out	(1,107,697)	-	-	-
Net other financing sources	(1,109,085)	-	222,713	-
NET CHANGE IN CASH BALANCES	(283,592)	3,873	1,421	(84)
CASH BALANCES, BEGINNING OF YEAR	1,851,059	1,517,610	482,517	84
CASH BALANCES, END OF YEAR	$ 1,567,467	$ 1,521,483	$ 483,938	$ -
CASH BASIS FUND BALANCES:				
Restricted for:				
Debt service	$ -	$ 1,521,483	$ -	$ -
Other purposes	-	-	-	-
Unrestricted	1,567,467	-	483,938	-
Total cash basis fund balances	$ 1,567,467	$ 1,521,483	$ 483,938	$ -

Schedule 5

Electric Development	Electric Revenue Bonds	Electric Renewal/ Replacement	Electric Reserve	Electric Meter Deposits	Interfund Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 500
-	-	-	-	-	-	14,127
-	-	-	-	-	-	4,119,713
-	-	-	-	9,250	-	51,060
-	-	-	-	9,250	-	4,185,400
-	501	-	-	12,860	-	3,360,786
-	(501)	-	-	(3,610)	-	824,614
23	710	1,101	1,147	46	-	4,504
-	(198,140)	-	-	-	-	(420,352)
23	(197,430)	1,101	1,147	46	-	(415,848)
23	(197,931)	1,101	1,147	(3,564)	-	408,766
-	-	-	-	-	-	750
-	-	-	-	-	-	(2,138)
-	198,640	-	-	-	(421,353)	-
-	-	-	-	-	421,353	(686,344)
-	198,640	-	-	-	-	(687,732)
23	709	1,101	1,147	(3,564)	-	(278,966)
8,567	214,099	373,353	407,630	15,055	-	4,869,974
$ 8,590	$ 214,808	$ 374,454	$ 408,777	$ 11,491	$ -	$ 4,591,008
$ -	$ 214,808	$ -	$ -	$ -	$ -	$ 1,736,291
-	-	-	-	11,491	-	11,491
8,590	-	374,454	408,777	-	-	2,843,226
$ 8,590	$ 214,808	$ 374,454	$ 408,777	$ 11,491	$ -	$ 4,591,008

CITY OF TIPTON

Schedule 6

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Combining Schedule - Water Fund

As of and for the year ended June 30, 2016

	Water Operating	Water Meter Deposits	Water Revenue Bonds Reserve	Total
OPERATING RECEIPTS:				
Charges for services	$ 665,155	$ -	$ -	$ 665,155
Miscellaneous	3,059	3,741	-	6,800
Total operating receipts	668,214	3,741	-	671,955
OPERATING DISBURSEMENTS:				
Business type activities:				
Water	467,209	3,895	500	471,604
Excess (deficiency) of operating receipts over operating disbursements	201,005	(154)	(500)	200,351
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	202	4	721	927
Debt service	-	-	(143,434)	(143,434)
Net nonoperating receipts (disbursements)	202	4	(142,713)	(142,507)
Excess (deficiency) of receipts over disbursements	201,207	(150)	(143,213)	57,844
OTHER FINANCING SOURCES (USES):				
Interfund loan advances	(938)	-	-	(938)
Long-term debt issued	-	-	-	-
Transfers in	25,000	-	143,935	168,935
Transfers out	(205,631)	-	-	(205,631)
Net other financing sources (uses)	(181,569)	-	143,935	(37,634)
NET CHANGE IN CASH BALANCES	19,638	(150)	722	20,210
CASH BALANCES, BEGINNING OF YEAR	50,943	1,781	230,443	283,167
CASH BALANCES, END OF YEAR	$ 70,581	$ 1,631	$ 231,165	$ 303,377
CASH BASIS FUND BALANCES:				
Restricted:				
Debt service	$ -	$ -	$ 231,165	$ 231,165
Other purposes	-	1,631	-	1,631
Unrestricted	70,581	-	-	70,581
Total cash basis fund balances	$ 70,581	$ 1,631	231,165	$ 303,377

CITY OF TIPTON

Schedule 7

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Combining Schedule - Gas Fund

As of and for the year ended June 30, 2016

	Gas	Gas D.E.I.	Gas Meter Deposits	Gas Surplus	Total
OPERATING RECEIPTS:					
Use of money and property	$ 1,689	$ -	$ -	$ -	$ 1,689
Charges for services	1,340,771	-	-	-	1,340,771
Miscellaneous	20,912	-	5,724	-	26,636
Total operating receipts	1,363,372	-	5,724	-	1,369,096
OPERATING DISBURSEMENTS:					
Business type activities:					
Gas	1,356,972	-	8,635	-	1,365,607
Excess of operating receipts over operating disbursements	6,400	-	(2,911)	-	3,489
NONOPERATING RECEIPTS:					
Interest on investments	-	55	23	168	246
Excess of receipts over disbursements	6,400	55	(2,888)	168	3,735
OTHER FINANCING SOURCES:					
Interfund loan advance	(1,538)	-	-	-	(1,538)
Transfers out	(30,000)	-	-	-	(30,000)
Net other financing sources	(31,538)	-	-	-	(31,538)
NET CHANGE IN CASH BALANCES	(25,138)	55	(2,888)	168	(27,803)
CASH BALANCES, BEGINNING OF YEAR	60,500	15,689	10,300	474,335	560,824
CASH BALANCES, END OF YEAR	$ 35,362	$ 15,744	$ 7,412	$ 474,503	$ 533,021
CASH BASIS FUND BALANCES:					
Restricted for:					
Other purposes	$ -	$ -	$ 7,412	$ -	$ 7,412
Unrestricted	35,362	15,744	-	474,503	525,609
Total cash basis fund balances	$ 35,362	$ 15,744	$ 7,412	$ 474,503	$ 533,021

CITY OF TIPTON

Schedule 8

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Combining Schedule - Wastewater Fund

As of and for the year ended June 30, 2016

	Wastewater Debt Service	Waste Water Treatment	Total
OPERATING RECEIPTS:			
Use of money and property	$ -	$ 854	$ 854
Charges for services	-	589,569	589,569
Miscellaneous	-	4,352	4,352
Total operating receipts	-	594,775	594,775
OPERATING DISBURSEMENTS:			
Business type activities:			
Wastewater	4,090	312,863	316,953
Excess (deficiency) of operating receipts over operating disbursements	(4,090)	281,912	277,822
NONOPERATING RECEIPTS (DISBURSEMENTS)			
Interest on investments	562	-	562
Debt service	(189,630)	-	(189,630)
Net nonoperating receipts (disbursements)	(189,068)	-	(189,068)
Excess (deficiency) of receipts over disbursements	(193,158)	281,912	88,754
OTHER FINANCING SOURCES (USES):			
Interfund loan advances	-	(863)	(863)
Transfers in	193,720	-	193,720
Transfers out	-	(286,601)	(286,601)
Net other financing sources (uses)	193,720	(287,464)	(93,744)
NET CHANGE IN CASH BALANCES	562	(5,552)	(4,990)
CASH BALANCES, BEGINNING OF YEAR	159,556	99,705	259,261
CASH BALANCES, END OF YEAR	$ 160,118	$ 94,153	$ 254,271
CASH BASIS FUND BALANCES:			
Restricted for:			
Debt service	$ 160,118	$ -	$ 160,118
Unrestricted	-	94,153	94,153
Total cash basis fund balances	$ 160,118	$ 94,153	$ 254,271

CITY OF TIPTON

Schedule 9

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

As of and for the year ended June 30, 2016

	Airport Operating	Garbage Collection	Stormwater	Totals
OPERATING RECEIPTS:				
Charges for services	$ 20,185	$ 515,603	$ 101,118	$ 636,906
Miscellaneous	29,586	1,098	-	30,684
Total operating receipts	49,771	516,701	101,118	667,590
OPERATING DISBURSEMENTS:				
Business type activities:				
Airport	69,705	-	-	69,705
Garbage	-	423,850	-	423,850
Stormwater	-	-	105,321	105,321
Total operating disbursements	69,705	423,850	105,321	598,876
Excess (deficiency) of operating receipts over operating disbursements	(19,934)	92,851	(4,203)	68,714
NONOPERATING RECEIPTS:				
Interest on investments	4,800	66	219	5,085
Excess (deficiency) of receipts over disbursements	(15,134)	92,917	(3,984)	73,799
OTHER FINANCING SOURCES (USES):				
Transfers in	7,403	-	-	7,403
Transfers out	(4,103)	(25,588)	(1,210)	(30,901)
Net other financing sources (uses)	3,300	(25,588)	(1,210)	(23,498)
NET CHANGE IN CASH BALANCES	(11,834)	67,329	(5,194)	50,301
CASH BALANCES, BEGINNING OF YEAR, AS RESTATED	(43,042)	(7,602)	44,837	(5,807)
CASH BALANCES, END OF YEAR	$ (54,876)	$ 59,727	$ 39,643	$ 44,494
CASH BASIS FUND BALANCES:				
Unrestricted	$ (54,876)	$ 59,727	$ 39,643	$ 44,494

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CITY OF TIPTON

Schedule 10

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

As of and for the year ended June 30, 2016

	Central Garage	PSF Health Insurance	City Reserve	Administrative Services	Payroll Account	Totals
OPERATING RECEIPTS:						
Charges for services	$ 277,590	$ 66,883	$ -	$ -	$ -	$ 344,473
Miscellaneous	28,779	-	-	269,199	-	297,978
Total operating receipts	306,369	66,883	-	269,199	-	642,451
OPERATING DISBURSEMENTS:						
Business type activities	212,388	82,604	-	337,486	-	632,478
Total operating disbursements	212,388	82,604	-	337,486	-	632,478
Excess (deficiency) of operating receipts over operating disbursements	93,981	(15,721)	-	(68,287)	-	9,973
NONOPERATING RECEIPTS:						
Interest on investments	894	89	444	-	-	1,427
Excess (deficiency) of receipts over disbursements	94,875	(15,632)	444	(68,287)	-	11,400
OTHER FINANCING SOURCES (USES)						
Transfers in	4,573	-	-	-	-	4,573
Transfers out	(30,965)	-	-	-	-	(30,965)
Interfund loan	-	-	9,678	-	-	9,678
Interfund loan advance	-	-	-	(988)	-	(988)
Net other financing sources (uses)	(26,392)	-	9,678	(988)	-	(17,702)
NET CHANGE IN CASH BALANCES	68,483	(15,632)	10,122	(69,275)	-	(6,302)
CASH BALANCES, BEGINNING OF YEAR	334,001	28,831	73,882	75,017	1,300	513,031
CASH BALANCES, END OF YEAR	$ 402,484	$ 13,199	$ 84,004	$ 5,742	$ 1,300	$ 506,729
CASH BASIS FUND BALANCES:						
Unrestricted	$ 402,484	$ 13,199	$ 84,004	$ 5,742	$ 1,300	$ 506,729

CITY OF TIPTON

Schedule 11

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

As of and for the year ended June 30, 2016

	GO Street Improvement Debt Service 03	GO Street Improvement Debt Service	GO Fire Truck	GO CP Bond Series 2011A	GO CP Bond Series 2011B	GO CP Bond Series 2011C	GO 2013 Debt Service	GO 2015 Debt Service	Debt Service	Totals
OPERATING RECEIPTS										
Property taxes	$ -	$ -	$ -	$ 80,103	$ -	$ 52,652	$ -	$ -	$ -	$ 132,755
Use of money and property	37	22	3	202	114	310	154	-	4	846
Intergovernmental	-	-	-	-	-	-	-	-	4,504	4,504
Special assessments	-	-	-	-	-	9,818	-	-	-	9,818
Total receipts	37	22	3	80,305	114	62,780	154	-	4,508	147,923
OPERATING DISBURSEMENTS										
Debt service	-	-	37,616	209,740	146,787	258,435	191,147	107,582	-	951,307
Total operating disbursements	-	-	37,616	209,740	146,787	258,435	191,147	107,582	-	951,307
Excess (deficiency) of receipts over disbursements	37	22	(37,613)	(129,435)	(146,673)	(195,655)	(190,993)	(107,582)	4,508	(803,384)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	40,000	129,870	146,788	205,936	191,148	201,466	-	915,208
Transfers out	-	-	-	-	-	-	-	-	(4,441)	(4,441)
Net other financing sources	-	-	40,000	129,870	146,788	205,936	191,148	201,466	(4,441)	910,767
NET CHANGE IN CASH BALANCES	37	22	2,387	435	115	10,281	155	93,884	67	107,383
CASH BALANCES, BEGINNING OF YEAR	14,018	8,060	(22,023)	14,459	251	31,706	76	-	-	46,547
CASH BALANCES, END OF YEAR	$ 14,055	$ 8,082	$ (19,636)	$ 14,894	$ 366	$ 41,987	$ 231	$ 93,884	$ 67	$ 153,930
CASH BASIS FUND BALANCES:										
Restricted for:										
Other purposes	$ 14,055	$ 8,082	$ -	$ 14,894	$ 366	$ 41,987	$ 231	93,884	67	$ 173,566
Unassigned	-	-	(19,636)	-	-	-	-	-	-	(19,636)
Total cash basis fund balances	$ 14,055	$ 8,082	$ (19,636)	$ 14,894	$ 366	$ 41,987	$ 231	$ 93,884	$ 67	$ 153,930

CITY OF TIPTON

Schedule 12

Schedule of Indebtedness

Year Ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation notes:									
Fire truck acquisition note	July 15, 2010	3.25%	$ 319,295	$ 170,343	$ -	$ 31,930	$ 138,413	$ 5,686	$ -
Corporate purpose 2011A	August 3, 2011	2.00-3.20%	2,615,000	1,520,000	-	170,000	1,350,000	39,240	-
Corporate purpose 2011B	November 15, 2011	1.00-2.85%	1,175,000	800,000	-	130,000	670,000	16,288	-
Corporate purpose 2011C	November 15, 2011	2.25-3.20%	1,985,000	1,270,000	-	225,000	1,045,000	32,935	-
Corporate purpose 2013	March 19, 2013	.45-1.8%	1,075,000	925,000	-	180,000	745,000	10,648	
Corporate purpose 2015	April 7, 2015	1.5-3.0%	1,000,000	1,000,000	-	80,000	920,000	27,083	
Refunding Bond 2012A	May 22, 2012	.80-2.35%	755,000	685,000	-	135,000	550,000	8,435	-
Total general obligation notes			8,924,295	6,370,343	-	951,930	5,418,413	140,315	-
Revenue notes:									
Electric revenue 2011	December 1, 2011	1.20-2.60%	1,795,000	1,300,000	-	170,000	1,130,000	28,140	-
Electric revenue 2012	March 28, 2012	1.00-3.50%	2,720,000	2,260,000	-	165,000	2,095,000	57,212	-
Sewer revenue	June 30, 2003	3.00%	3,200,000	1,636,000	-	161,000	1,475,000	28,630	-
Total revenue notes			7,715,000	5,196,000	-	496,000	4,700,000	113,982	-
Total indebtedness			$ 16,639,295	$ 11,566,343	$ -	$ 1,447,930	$ 10,118,413	$ 254,297	$ -

CITY OF TIPTON
Bond and Note Maturities
June 30, 2016

	General Obligation Debt					
	Fire Truck Acquisition Note Issued June 1, 2010 (Reissued July 15, 2010)		Corporate Purpose 2011A Issued August 3, 2011		Corporate Purpose 2011B Issued November 15, 2011	
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2017	3.25%	$ 33,000	2.00%	$ 175,000	1.50%	$ 135,000
2018	3.25%	34,000	2.25%	180,000	1.80%	100,000
2019	3.25%	35,000	2.50%	185,000	2.10%	100,000
2020	3.25%	36,413	2.65%	190,000	2.30%	90,000
2021		-	2.80%	200,000	2.50%	90,000
2022		-	3.00%	205,000	2.85%	95,000
2023		-	3.20%	215,000	2.85%	30,000
2024		-		-	2.85%	30,000
2025		-		-		-
2026		-		-		-
		$ 138,413		$ 1,350,000		$ 670,000

	Revenue Debt						
	Sewer Revenue Note Issued June 30, 2003		Electric Revenue, Series 2011 Issued December 1, 2011		Electric Revenue, Series 2012 Issued March 28, 2012		
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2017	3.00%	$ 166,000	1.75%	$ 175,000	1.50%	$ 165,000	$ 506,000
2018	3.00%	171,000	2.00%	180,000	1.75%	170,000	521,000
2019	3.00%	176,000	2.25%	185,000	2.00%	175,000	536,000
2020	3.00%	181,000	2.40%	190,000	2.20%	180,000	551,000
2021	3.00%	187,000	2.50%	195,000	2.40%	185,000	567,000
2022	3.00%	192,000	2.60%	205,000	2.60%	190,000	587,000
2023	3.00%	198,000		-	2.80%	195,000	393,000
2024	3.00%	204,000		-	3.00%	200,000	404,000
2025		-		-	3.20%	205,000	205,000
2026		-		-	3.40%	210,000	210,000
2027		-		-	3.50%	220,000	220,000
		$ 1,475,000		$ 1,130,000		$ 2,095,000	$ 4,700,000

Schedule 13

Corporate Purpose 2011C		Refunding Bonds Series 2012 A		Corporate Purpose Bonds 2013		Corporate Purpose Bonds 2015		
Issued November 15, 2011		Issued May 22, 2012		Issued March 19, 2013		Issued April 7, 2015		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2.25%	$ 230,000	2.25%	$ 135,000	0.75%	$ 180,000	1.50%	$ 85,000	$ 973,000
2.35%	245,000	2.35%	140,000	0.90%	110,000	2.00%	85,000	894,000
2.80%	245,000	2.80%	140,000	0.90%	85,000	2.00%	85,000	875,000
3.00%	105,000	3.00%	135,000	1.25%	90,000	2.25%	90,000	736,413
3.10%	110,000	3.10%	-	1.25%	90,000	2.25%	90,000	580,000
3.20%	110,000	3.20%	-	1.25%	95,000	2.50%	90,000	595,000
	-		-	1.80%	95,000	2.50%	95,000	435,000
	-		-		-	3.00%	95,000	125,000
	-		-		-	3.00%	100,000	100,000
	-		-		-	3.00%	105,000	105,000
	$ 1,045,000		$ 550,000		$ 745,000		$ 920,000	$ 5,418,413

CITY OF TIPTON

Schedule 14

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

For the Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
RECEIPTS:										
Property tax	$ 1,343,369	$ 1,340,407	$ 1,333,234	$ 1,294,643	$ 1,184,336	$ 1,069,242	$ 1,021,653	$ 946,333	$ 891,603	$ 850,516
Tax increment financing collections	184,986	254,853	210,216	175,490	175,887	167,830	185,147	195,347	217,895	205,164
Other city tax	263,236	261,084	222,462	251,653	198,459	230,604	192,230	213,927	254,739	161,840
Licenses and permits	17,235	18,072	11,475	14,487	11,395	6,425	5,872	2,752	2,382	3,018
Use of money and property	23,859	20,759	21,127	24,922	31,149	25,080	27,311	33,043	55,653	106,135
Intergovernmental	500,765	423,229	488,633	618,616	596,896	661,290	1,031,392	356,288	623,166	543,011
Charges for services	432,285	373,606	370,818	311,439	310,730	300,125	298,786	321,711	271,547	276,239
Special assessments	9,818	10,238	10,059	80,094	85,185	85,111	82,429	118,011	72,766	61,562
Miscellaneous	895,226	328,541	338,265	181,010	360,959	274,125	238,415	393,094	386,325	669,881
Total	$ 3,670,779	$ 3,030,789	$ 3,006,289	$ 2,952,354	$ 2,954,996	$ 2,819,832	$ 3,083,235	$ 2,580,506	$ 2,776,076	$ 2,877,366
DISBURSEMENTS:										
Operating:										
Public safety	$ 1,138,500	$ 1,097,954	$ 1,097,592	$ 874,717	$ 840,049	$ 819,197	$ 1,099,997	$ 678,745	$ 638,724	$ 723,533
Public works	498,895	584,010	540,118	492,321	574,943	541,160	480,392	435,441	415,650	462,406
Culture and recreation	847,347	834,658	753,848	744,394	747,120	731,608	711,495	813,703	724,830	587,047
Community and economic development	117,298	174,275	221,460	230,328	216,302	205,899	226,975	204,044	206,325	73,788
General government	168,361	223,234	179,490	120,078	129,246	115,031	131,953	215,058	253,301	255,852
Debt service	951,307	875,983	928,199	988,004	944,916	865,585	1,224,387	568,547	600,297	592,008
Capital projects	293,774	150,806	35,345	2,174,628	1,617,699	225,626	2,119,457	1,169,501	982,900	895,413
Total	$ 4,015,482	$ 3,940,920	$ 3,756,052	$ 5,624,470	$ 5,070,275	$ 3,504,106	$ 5,994,656	$ 4,085,039	$ 3,822,027	$ 3,590,047

Note: Information for 2016 includes the restatement as discussed in Note 14. All remaining years were not adjusted for this restatement.

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INDEPENDENT AUDITORS' 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*

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tipton, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 24, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than generally accepted accounting principles in the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Tipton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Tipton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Tipton's internal control.

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's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described as items 2016-001 and 2016-002 in Part II of the accompanying schedule of findings and responses, that we consider to be material weaknesses.

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

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, 2016, 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

City of Tipton's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. City of Tipton's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the result of that testing and not provide an opinion on effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
February 24, 2017

CITY OF TIPTON

Schedule of Findings and Responses

Year Ended June 30, 2016

PART I - SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

(a) Unmodified 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) Material weaknesses 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

2016-001: Audit Adjustments

Criteria: The City should have adequate procedures to provide for the accuracy and reliability of the accounting records.

Condition: During the course of the audit, misstatements that had a more than material effect on the City's financial statements were identified. Adjusting journal entries were made to correct these misstatements.

Context: Although adjustments during the course of an audit are not uncommon, the independent auditor cannot be considered part of the City's internal control system.

Effect: As a result of this condition, there is a higher risk that misstatements that are more than material 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 that the financial statements are not materially misstated.

Recommendation: We recommend that the City establish internal procedures to adjust all account balances prior to the audit.

Management Response: Management will review financial statements and correct necessary accounts prior to the audit.

Conclusion:
Response accepted.

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

INTERNAL CONTROL DEFICIENCIES (CONTINUED)

2016-002 Preparation of Financial Statements

Criteria: The City cannot rely on independent auditors as a part of its internal control system, including, but not limited to, assistance with journal entries and preparing 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.

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 material 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.

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.

Conclusion: Response accepted.

CITY OF TIPTON

Schedule of Findings and Responses

Year Ended June 30, 2016

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

III-A-2016 Certified Budget: Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the capital projects function prior to the budget being amended. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion: Response accepted.

III-B-2016 Questionable Disbursements: We noted no disbursements that failed to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-2016 Travel Expense: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-2016 Business Transactions: Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	
Dean Anderson, Council Member, owner of Tipton Greenhouse	$ 254
Kurt Woode, Fire Chief, owner of T&M Clothing	$ 7,301

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Council Member do not appear to represent a conflict of interest since total transactions were less than $1,500 during the fiscal year. The transactions with the Fire Chief also do not appear to represent a conflict of interest as transactions with volunteer fire fighters are not in violation per 362.5(3)(h) of the Code of Iowa.

III-E-2016 Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should continue to be reviewed annually to ensure that the coverage is adequate for current operations.

III-F-2016 Council Minutes: We noted no transactions that we believe should have been approved in the Council minutes but were not.

CITY OF TIPTON

Schedule of Findings and Responses

Year Ended June 30, 2016

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

III-G-2016 Deposits and Investments: We noted instances of unclaimed property which were not reported to the State Treasurer on a timely basis.

Recommendation: The City should accumulate all stale checks and report these items to the State Treasurer by November 1st of each year.

Response: Outstanding checks will be reviewed and all unclaimed property will be submitted to the State Treasurer.

Conclusion: Response accepted.

III-H-2016 Revenue Bonds and Notes: No instances of non-compliance with the revenue bonds and note resolutions were noted.

III-I-2016 Financial Condition: The following funds had deficit balances at June 30, 2016:

Nonmajor Special Revenue:	
Aquatic Campaign	$ (603,280)
Nonmajor Enterprise:	
Airport Operating	(54,876)
Nonmajor Debt Service:	
GO Fire Truck	(19,636)

Recommendation: The City should generate and implement a good strategic plan in order to finance these deficit balances in fiscal year 2016.

Response: There have not been many changes in the discussions or plans for the Aquatic Campaign, but believe this will change once there is a new City Manager. The cost structure to improve the Airport's profitability is also being tabled until the new City Manager is hired. The deficit in the GO Fire Truck fund has been budgeted for excess funds to reduce the balance in fiscal year 2017.

Conclusion: Response accepted.

III-J-2016 Annual Urban Renewal Report: The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.