

CITY OF TIPP CITY, OHIO

**Independent Auditors' Reports on
Compliance and Internal Controls**

December 31, 2005



**Auditor of State
Betty Montgomery**

City Council
City of Tipp City
206 Garber Dr.
Tipp City, OH 45371

We have reviewed the *Independent Auditors' Report* of the City of Tipp City, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Tipp City is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 31, 2006

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
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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

City Council
City of Tipp City, Ohio
260 South Garber Drive
Tipp City, Ohio 45371

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tipp City, Ohio (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

This report is intended for the information and use of the City Commission, the management of the City, the Auditor of the State of Ohio, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 21, 2006



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
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Report on Compliance with Requirements Applicable to Each Major Program and
Internal Control over Compliance in Accordance with OMB Circular A-133 and
Schedule of Expenditures of Federal Awards

City Council
City of Tipp City, Ohio
260 South Garber Drive
Tipp City, Ohio 45371

Compliance

We have audited the compliance of the City of Tipp City, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirement of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2005, and have issued our report thereon dated May 21, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the City Commission, the management of the City, the Auditor of the State of Ohio, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 21, 2006

CITY OF TIPP CITY, OHIO
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Disbursements</u>
<u>U.S. Department of Transportation:</u>			
<u>Federal Highway Administration</u>			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction	473650	20.205	\$ <u>944,412</u>
Total U.S. Department of Transportation			<u>944,412</u>
 TOTAL FEDERAL AWARD EXPENDITURES			 \$ <u><u>944,412</u></u>

CITY OF TIPP CITY, OHIO

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2005

1. Basis of Presentation

The accompanying Schedule of Federal Awards has been prepared using the cash basis of accounting in accordance with the format as set forth in the *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CITY OF TIPP CITY, OHIO

Schedule of Findings and Questioned Costs

December 31, 2005

1. Summary of Auditors' Results		
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified				
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No				
(d)(1)(ii)	Were there any other reportable weakness conditions reported at the financial statement level (GAGAS)?	No				
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No				
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No				
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No				
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified				
(d)(1)(vi)	Are there any reportable findings under §5 10?	No				
(d)(1)(vii)	Major Program	<table style="width: 100%; border: none;"> <tr> <td style="text-align: left;"><u>Program</u></td> <td style="text-align: right;"><u>CFDA#</u></td> </tr> <tr> <td>Highway Planning and Construction</td> <td align="right">20.205</td> </tr> </table>	<u>Program</u>	<u>CFDA#</u>	Highway Planning and Construction	20.205
<u>Program</u>	<u>CFDA#</u>					
Highway Planning and Construction	20.205					
	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others				
(d)(1)(ix)	Low Risk Auditee?	No				

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

3. Summary of Prior Year Audit Findings

None



City of Tipp City, Ohio

Comprehensive Annual

Financial Report Year Ended December 31, 2005

2005

*Grand Opening
of the Tippecanoe
Family Aquatic Center*



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City of Tipp City, Ohio

Miami County



COMPREHENSIVE
ANNUAL FINANCIAL REPORT

YEAR ENDED
DECEMBER 31, 2005

Prepared by:
Department of Finance
Richard U. Drennen, Director



TABLE OF CONTENTS

CITY OF TIPP CITY
MIAMI COUNTY, OHIO

I INTRODUCTORY SECTION

A Letter of Transmittalv
B List of Principal Officialsxii
C City Organizational Chartxiii
D Certificate of Achievement for Excellence in Financial Reporting.....xiv

II FINANCIAL SECTION

A Independent Auditors’ Report.....1
B Management’s Discussion and Analysis.....3
C Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Assets.....13
 Statement of Activities14
 Fund Financial Statements:
 Governmental Funds:
 Balance Sheet16
 Reconciliation of Total Governmental Fund Balances to Net Assets of
 Governmental Activities.....18
 Statement of Revenues, Expenditures and Changes in Fund Balances20
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances to the Statement of Activities.....22
 Statement of Revenues, Expenditures and Changes in Fund Balance
 (Budget and Actual):
 General Fund23
 Proprietary Funds:
 Statement of Fund Net Assets.....24
 Statement of Revenues, Expenses and Changes in Fund Net Assets25
 Statement of Cash Flows26
 Fiduciary Funds:
 Statement of Assets and Liabilities – Agency Funds28
Notes to the Basic Financial Statements.....29

D Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Financial Statements:

Combining Balance Sheet.....	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	67
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	70
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	73

Individual Schedules of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual):

Major Governmental Funds:

<i>General Fund</i>	74
<i>Debt Service Funds:</i>	
Special Assessment Bond Retirement Fund.....	78
<i>Capital Projects Funds:</i>	
Capital Improvement Reserve Fund.....	79
25-A Construction Fund.....	80
Swimming Pool Construction Fund.....	81

Nonmajor Governmental Funds:

Special Revenue Funds:

Swimming Pool Fund.....	82
Street Construction, Maintenance and Repair Fund.....	83
State Highway Improvement Fund.....	84
Municipal Road Fund.....	85
Law Enforcement Fund.....	86
Enforcement and Education Fund.....	87
Drug Law Enforcement Fund.....	88
Federal Emergency Management Agency (FEMA) Grant Fund.....	89
Emergency Medical Services (EMS) Donation Trust Fund.....	90
Police Donation Trust Fund.....	91

Debt Service Fund:
 General Bond Retirement Fund.....92

Capital Projects Funds:
 Police Facilities Construction Fund.....93
 Parks Capital Improvement Fund.....94
 Donn Davis Way Construction Fund95
 Ohio Public Works Commission (OPWC) Grant Fund.....96

Fiduciary Funds – Agency Funds:
 Combining Statement of Changes in Assets and Liabilities98

Capital Assets Used in the Operation of Governmental Funds:
 Schedule by Source..... 101
 Schedule by Function and Activity..... 102
 Schedule of Changes by Function and Activity..... 104

III

STATISTICAL SECTION

General Governmental Expenditures by Function - Last Ten Years S 2

General Governmental Revenues by Source - Last Ten Years..... S 3

Property Tax Levies and Collections - Last Ten Years S 4

Tangible Tax Collected - Last Ten Years..... S 5

Assessed Valuations and Estimated True Values of Taxable Property - Last
Ten Years..... S 6

Property Tax Rates - Direct and Overlapping Governments - Last Ten Years S 7

Special Assessment Billings and Collections - Last Ten Years S 8

Computation of Legal Debt Margin S 9

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General
Obligation Bonded Debt Per Capita - Last Ten Years..... S 10

Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
to Total General Governmental Expenditures - Last Ten Years..... S 11

Computation of All Direct and Overlapping Debt..... S 12

Demographic Statistics - Last Ten Years S 13

Property Value and Construction Permits - Last Ten Years..... S 14

Principal Taxpayers (Personal Property Tax) S 15

Principal Taxpayers (Real Property Tax) S 16

Principal Taxpayers (Income Tax) S 17

Principal Employers S 18

Miscellaneous Statistics..... S 19



Introductory Section





Council-Manager
Government

May 21, 2006

To The Council and The Citizens of the City of Tipp City, Ohio

The Comprehensive Annual Financial Report for the City of Tipp City for the year ended December 31, 2005 is hereby submitted. I believe this report presents financial and operating information about the City's activities during the year which should be useful to its citizens, taxpayers, and investors. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This Comprehensive Annual Financial Report continues to address and incorporate Government Accounting Standards Board Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments. Statement No. 34 was designed to make annual financial reports of state and local governments easier to understand and more useful to those who make decisions using governmental financial information. This year's report is a reflection of our continuing efforts to disseminate clear and useful financial information to our users.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Tipp City's MD&A can be found immediately following the Independent Auditors' Report.

This report is comprised of three major sections:

1. *The Introductory Section* includes this letter of transmittal, the City's organizational chart, a listing of principal City officials; and the GFOA Certificate of Achievement for Excellence in Financial Reporting.
2. *The Financial Section* contains the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements and notes that provide an overview of the City's financial position and operating results, the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.
3. *The Statistical Section* presents pertinent financial and general information indicating trends for comparative fiscal periods.

Clark, Schaefer, Hackett and Co., Certified Public Accountants have issued an unqualified ("clean") opinion on the City of Tipp City's financial statements for the year ended December 31, 2005. The independent auditors' report is located at the front of the financial section of this report.

***Letter of Transmittal
For the Year Ended December 31, 2005***

Clark, Schaefer, Hackett and Co., Certified Public Accountants have issued an unqualified (“clean”) opinion on the City of Tipp City’s financial statements for the year ended December 31, 2005. The independent auditors’ report is located at the front of the financial section of this report.

PROFILE OF THE CITY

The City of Tipp City is a progressive, growing community located fourteen miles north of Dayton on Interstate 75. The City was incorporated as a village in 1850, and became a City in 1960. Its seven square mile area serves a residential population of 9,221 (2000 Census). The City is served by diversified transportation facilities. Immediate access is to four State highways and to Interstate Highways 70 and 75. The main line of the CSX Railroad (CSX), between Cincinnati and Toledo, passes through the City. Passenger and freight air service is provided by the Dayton International Airport located approximately 10 miles from the City. Easy access to both Interstates 70 and 75 places Tipp City within approximately a one-hour drive of Columbus, Cincinnati, and Indianapolis.

The City of Tipp City is a home rule municipal corporation operating under its own charter, first adopted by the voters in 1968 and which has been and may be amended by the voters from time to time. The City is also subject to some general laws applicable to all cities. Under the Ohio constitution the City may exercise all powers of local self-government, and police powers to the extent not in conflict with applicable general laws. The Charter provides for a Council- Manager form of government.

The legislative body of Tipp City consists of a seven-member Council, all of who are elected at-large for overlapping four-year terms. The City Council appoints a City Manager, and a Council Clerk. The City Manager is the City’s chief executive and administrative officer. He appoints all Department Managers of the City.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments which provide various services including police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance, and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system, an electric distribution system, and refuse collection system each of which is reported as an enterprise fund. Council and the City Manager have direct responsibility for these activities.

The City has representation on the board of two entities. The City is associated with the Tri-Cities North Regional Wastewater Authority (Tri-Cities), and the Northern Area Water Authority (NAWA), which are both defined as joint ventures. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. These organizations are presented in Note 17.

***Letter of Transmittal
For the Year Ended December 31, 2005***

ECONOMIC CONDITIONS AND OUTLOOK

Tipp City continues to strive for innovative ways to attract new businesses to our town. In 2005, the City approved an incentive package for Repacorp, Inc. to facilitate their development of radio frequency identification (RFID) chips. This project reuses an old facility for this new cutting edge technology. Repacorp will be investing \$2-\$3 million for equipment in the remodeled 36,000 square foot building. They will also be hiring 25 new employees over the next three years.

In December 2005, the Tipp City Planning Board approved the “Legends” Family Entertainment Facility, which will be constructed on nine acres of land on Donn Davis Way. The facility will be approximately 40,000 square feet and will offer putt-putt golf, laser tag, batting cages, and other recreational activities.

Commercial and Industrial growth in 2005 invested \$22,445,500 in our community. Overall, the City has over 1,000 acres of industrially zoned property, ranging from 5 to 135 acre tracts.

The City has gained a few new businesses, and some of the employers located within the city have expanded operations. These additions/expansions have helped the City maintain its economic stability.

Due to the region having a varied economic base, unemployment is relatively stable. From a low of 3.3% in 2000 to a high of 6.1% in 2003, unemployment has descended back down the last two years. In 2004 and 2005, the unemployment rate has been 5.6%. Tipp City’s rate is lower than the State of Ohio’s rate of 5.9%. Unemployment is expected to decrease over the next few years.

During 2005, Tipp City had 82 new residential unit starts. There are currently five active subdivisions being developed: Sycamore Woods, Curry Branch, Hunter’s Ridge, Manchester Chase, and Rosewood Creek. The following table outlines the residential growth for the last several years.

Year	Base Units	New Units	% Growth
2002	3857	46	1.192%
2003	3903	55	1.409%
2004	3958	77	1.945%
2005	4035	82	2.032%

Tipp City will continue to be a very desirable community in which to live and do business. Its prime location along Interstate 75 (two exits being 68 and 69), and close proximity to Interstate 70 and the Dayton Airport bode well for the future expansion of the City’s residential, commercial and industry.

MAJOR INITIATIVES

For the Year

Tipp City places a high priority on quality of life and effectively delivering services to our citizens. This priority continued in 2005.

In May 2005, the City opened up a new Family Aquatic Center at a cost of \$4,200,000. The new center includes a bath house, filter building, zero depth pool with two slides, competition pool, and spray grounds. Other recreational improvements completed in 2005 included a new bike path from City Park to Canal Lock Park and the addition of eight baseball diamonds with lights in Kyle Park. These projects were made possible from local tax revenues generated from a 0.25% city income tax levy passed by the voters in 2002 for parks and recreation projects.

Tipp City continues to invest heavily in the city's transportation network. The Kessler-Cowlesville Road project was completed in 2005 at a cost of \$1.8 million. The City received a grant of \$900,000 from the State of Ohio for this project. In May 2005, the County Road 25A street widening project was started. This is a \$2.3 million project, of which 80% is funded thru the federal highway administration, and includes widening the highway from two lanes to five lanes. The City also completed \$363,000 in street resurfacing projects on various roads thru out town.

In the public safety arena, the City purchased property for future expansion of its west side Fire and EMS station.

The Northern Area Water Authority (NAWA), a joint venture between the Cities of Tipp City and Vandalia, broke ground in June 2005 on its joint water treatment plant. The estimated cost of the project is \$22 million and will be operating by the end of 2006.

The City continued to focus on building upon its solid financial position through a five-year operational and capital budgeting program, and an aggressive debt repayment schedule.

The City is well known for the Tipp City Mum Festival. The Festival, which takes place the fourth weekend of September, celebrates the long lasting fall flower, the chrysanthemum, and its connection to Tipp City's Springhill Nursery. Hometown activities featured at this event include a street dance, parade and live entertainment.

For The Future

Maintenance of the City's infrastructure remains a top priority in 2006. The North Hyatt Street Reconstruction project is scheduled to be completed in the summer of 2006 at a cost of \$770,000. The City will continue to reconstruct and enhance our Main Street corridor in 2006 with design and right of way acquisition work being started. Construction on the Tippecanoe to Hyatt Street phase of Main Street is scheduled for 2007 at a cost of \$1.3 million. Federal and State grants will pay for most of this project.

Other infrastructure projects planned in 2006 include sewer installation work on S. Hyatt Street and extension of our electric system to the Berry- Logan Industrial Park. This extension will aid the City with its economic development efforts in this area.

***Letter of Transmittal
For the Year Ended December 31, 2005***

A new restroom facility is being planned for Kyle Park. Design work is scheduled for 2006, with construction to take place in 2007. The estimated cost of this project is \$190,000.

The City will continue to commit funds to ensure the maintenance of existing infrastructure and the development of adequate new infrastructure to meet future demands.

FINANCIAL INFORMATION

Internal and Budgetary Controls

It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary control is maintained within the personal services, operating expense, contractual services, and capital outlay categories within each department through the encumbering of estimated purchase amounts prior to the release of formal purchase orders to vendors. Purchase orders, which result in an overrun above appropriated balances, are not released until additional appropriations are made available via amendments to the annual budget.

Risk Management

The City tries to minimize its exposure to risk through employee training and insurance protection plans. Tipp City participates in an insurance pool operated by Miami Valley Risk Management Association, Inc. (MVRMA) for the purpose of obtaining lower insurance rates. MVRMA is a joint insurance pool for municipalities, which has been operational since December 1, 1988 and was formed according to Section 2744 of the Ohio Revised Code. This pool covers all property, crime, liability, machinery, flood, earthquake, public official liability, and bonding for the City. The Pool also provides extensive safety/loss control consulting and training. Tipp City joined MVRMA in 1996. The 2005 membership consisted of twenty Ohio cities.

Workers' Compensation insurance is provided by the State of Ohio but rates are pooled with other members of MVRMA to obtain a lower rate than the City would obtain on its own.

Cash Management

The City's investment policy is to minimize credit and market risks, while maintaining a competitive yield on its portfolio. The Finance Director is charged with the responsibility for the operation of the City's investment program and is required to report to the City Council and the Treasury Investment Board on a quarterly basis.

Authorized investments are described in detail in Note 5 of the footnotes to the basic financial statements included within the financial section of this comprehensive annual financial report. The City currently has investments in STAR Ohio (State Treasurer's Investment Pool), U. S. Treasury Notes, U. S Treasury Bills, and Certificates of Deposits.

***Letter of Transmittal
For the Year Ended December 31, 2005***

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tipp City, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government finance reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity.

A Certificate of Achievement is valid for a period of one year only. The City Tipp City has received a Certificate of Achievement for the last five years (2000-2004). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

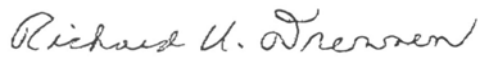
ACKNOWLEDGMENTS

A note of sincere appreciation is extended to the many people who have contributed their time and effort to prepare this report. The Finance Department Staff, in particular, are to be commended for their commitment to professional excellence as exemplified by the contents of this report.

I would also like to express appreciation to Roy Porter, CPA, and the rest of the staff of Donald J. Schonhardt and Associates, for their guidance and assistance in preparing this report.

Finally, special thanks is extended to City Council, the City Manager, the Assistant City Manager, and all of the Department Heads whose support enables the City of Tipp City to strive for excellence in its financial reporting and to maintain high standards of financial integrity.

Respectfully submitted,



Richard U. Drennen
Director of Finance

CITY OF TIPP CITY, OHIO

***List of Principal Officials
For the Year Ended December 31, 2005***

ELECTED OFFICIALS

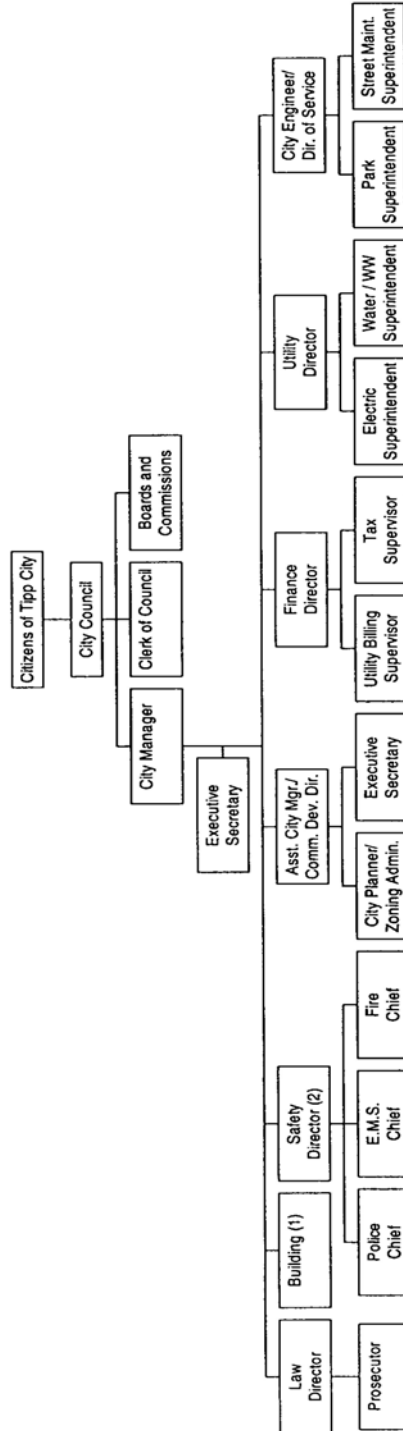
Mayor	Donald Ochs
President Of Council	Vickie Blakey
Council Members	William Beagle R. Adam Blake Keith Kingrey George H. Lovett Richard Mains, Jr.

APPOINTED OFFICIALS

City Manager	David Collinsworth
Clerk Of Council	Misty Cox
Finance Director	Richard Drennen
Law Director	Joseph Moore
Chief of Police	Tom Davidson
City Engineer/Service Director	Scott Vagedes
EMS Chief	Mark Senseman
Fire Chief	Steve Kessler
Utility Director	Milton Eichman

CITY OF TIPP CITY, OHIO

**City Organizational Chart
For the Year Ended December 31, 2005**



1. Building Inspection Services are provided through a contract with Miami County.
2. The functions of the Safety Director are fulfilled by the City Manager.

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Tipp City,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

President

Jeffrey R. Enow

Executive Director





Financial Section





Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

Independent Auditors' Report

City Council
City of Tipp City, Ohio
260 South Garber Drive
Tipp City, Ohio 45371

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 Tipp City, Ohio (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tipp City, Ohio as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 21, 2006

The discussion and analysis of the City of Tipp City's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2005 are as follows:

- ❑ In total, net assets increased \$9.6 million. Net assets of governmental activities increased \$6.82 million, which represents a 23.7% increase from 2004. Net assets of business-type activities increased \$2.78 million or 10.05% from 2004.
- ❑ General revenues accounted for \$6.45 million in revenue or 22.6% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 77.4% of total revenues of \$28.49 million.
- ❑ Total net assets of governmental activities increased by \$6.82 million. The single largest increase in revenues came in the form of capital grants and contributions, accounting for \$1.5 million of the increase.
- ❑ The City had \$7.36 million in expenses related to governmental activities; \$7.07 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$6.45 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$5.3 million in revenues and \$4.9 million in expenditures. The general fund's fund balance increased \$545,019 to \$3.51 million.
- ❑ Net assets for enterprise funds increased by \$2.78 million. This increase resulted primarily from capital contributions from developers in the amount of \$2.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis*, the *basic financial statements* and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, leisure time activities, community environment, basic utility services, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's electric, water, sewer, and refuse services are reported as business activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table focuses on the net assets of the City's governmental and business- type activities for both 2005 and 2004.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$9,480,537	\$10,939,687	\$13,646,849	\$13,005,074	\$23,127,386	\$23,944,761
Capital assets, Net	37,083,290	28,803,669	19,791,501	17,788,471	56,874,791	46,592,140
Total assets	46,563,827	39,743,356	33,438,350	30,793,545	80,002,177	70,536,901
Noncurrent liabilities	9,095,636	9,927,102	2,015,263	2,265,138	11,110,899	12,192,240
Other liabilities	1,906,086	1,075,695	974,382	859,452	2,880,468	1,935,147
Total liabilities	11,001,722	11,002,797	2,989,645	3,124,590	13,991,367	14,127,387
Net assets						
Invested in capital assets, net of related debt	28,985,972	22,091,073	18,012,991	15,751,376	46,998,963	37,842,449
Restricted	3,283,949	4,118,190	0	0	3,283,949	4,118,190
Unrestricted	3,292,184	2,531,296	12,435,714	11,917,579	15,727,898	14,448,875
Total net assets	\$35,562,105	\$28,740,559	\$30,448,705	\$27,668,955	\$66,010,810	\$56,409,514

The amount by which the city's assets exceed its liabilities is called net assets. At year-end, the City's net assets were \$66 million compared to \$56.4 million in 2004. Of that amount, in 2005 approximately \$46.99 million (71.2%) was invested in capital assets, net of debt related to those assets. At year-end 2004, that amount was approximately \$37.8 million (67.1%). For 2005 another \$3.3 million (4.98%) was subject to external restrictions upon its use. The remaining \$15.7 million (23.82%) in 2005 was unrestricted and available for future use. For 2004, this amount was \$14.4 million (25.6%).

CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2005 compared with 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,042,653	\$911,730	\$12,543,379	\$11,064,103	\$13,586,032	\$11,975,833
Operating Grants and Contributions	631,689	515,541	0	0	631,689	515,541
Capital Grants and Contributions	5,394,254	3,865,279	2,424,866	591,242	7,819,120	4,456,521
Total Program Revenues	7,068,596	5,292,550	14,968,245	11,655,345	22,036,841	16,947,895
General revenues:						
Income Taxes	4,189,850	3,393,013	0	0	4,189,850	3,393,013
Property Taxes	337,213	320,862	0	0	337,213	320,862
Other Local Taxes	32,993	27,586	0	0	32,993	27,586
Unrestricted Shared Revenues	1,354,519	1,205,612	0	0	1,354,519	1,205,612
Investment Earnings	377,781	212,326	0	0	377,781	212,326
Miscellaneous	156,746	201,834	0	0	156,746	201,834
Total General Revenues	6,449,102	5,361,233	0	0	6,449,102	5,361,233
Total Revenues	13,517,698	10,653,783	14,968,245	11,655,345	28,485,943	22,309,128
Program Expenses						
Security of Persons and Property	2,801,884	2,625,552	0	0	2,801,884	2,625,552
Leisure Time Activities	1,047,316	615,012	0	0	1,047,316	615,012
Community Environment	223,831	196,737	0	0	223,831	196,737
Basic Utility Services	187,154	205,980	0	0	187,154	205,980
Transportation	1,282,315	1,073,494	0	0	1,282,315	1,073,494
General Government	1,487,548	1,362,120	0	0	1,487,548	1,362,120
Interest and Fiscal Charges	325,851	269,576	0	0	325,851	269,576
Electric	0	0	9,042,072	8,287,261	9,042,072	8,287,261
Water	0	0	899,618	748,600	899,618	748,600
Sewer	0	0	1,085,803	986,537	1,085,803	986,537
Refuse	0	0	501,255	236,867	501,255	236,867
Total expenses	7,355,899	6,348,471	11,528,748	10,259,265	18,884,647	16,607,736
Change in Net Assets before transfers	6,161,799	4,305,312	3,439,497	1,396,080	9,601,296	5,701,392
Transfers	659,747	345,786	(659,747)	(345,786)	0	0
Total Change in Net Assets	6,821,546	4,651,098	2,779,750	1,050,294	9,601,296	5,701,392
Beginning Net Assets, Restated	28,740,559	24,089,461	27,668,955	26,618,661	56,409,514	50,708,122
Ending Net Assets	\$35,562,105	\$28,740,559	\$30,448,705	\$27,668,955	\$66,010,810	\$56,409,514

Governmental Activities

Net assets of the City's governmental activities increased by \$6,821,546. This increase was mainly due to the donation of land, streets, and storm sewer pipes to the city by outside developers.

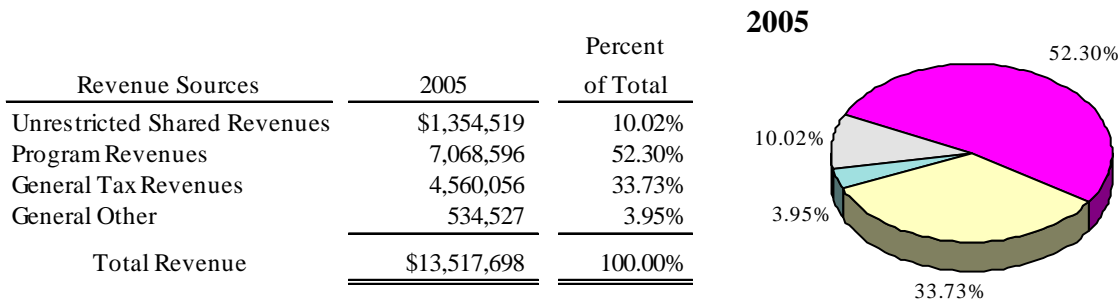
CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

The City receives an income tax, which is based on 1.25% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City. Income tax is the largest source of revenue for the City. 16% of our income tax received is designated for capital outlay for the City, and 20% is earmarked for park improvements. Income tax revenue was \$4,189,850 compared to \$3,393,013 in 2004, an increase of 23.5%.

Property taxes and income taxes made up 2.5% and 31% respectively of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph indicating 33.73% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business-type activities increased by \$2,779,750. Increased developer contributions in the form of water and sewer infrastructure contributed to this increase. Electric, water, and refuse reported operating income in 2005. The sewer fund, however, had an operating loss in 2005. Business-type revenues increased as a result of rate increases for electric and water service. 2005 was also the first full year of refuse billing. This also contributed to the increase in net assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$5,234,060, which is a decrease from last year's balance of \$7,867,484. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General	\$3,511,372	\$2,966,353	\$545,019
Special Assessment Bond	587	306	281
Capital Improvement Reserve	1,048,336	1,233,578	(185,242)
25-A Construction	(211,155)	112,780	(323,935)
Swimming Pool Construction	64,633	2,372,262	(2,307,629)
Other Governmental	820,287	1,182,205	(361,918)
Total	\$5,234,060	\$7,867,484	(\$2,633,424)

CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

General Fund – The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2005	2004	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$2,800,940	\$2,515,641	\$285,299
Intergovernmental Revenue	1,369,654	1,249,350	120,304
Charges for Services	528,709	390,281	138,428
Licenses, Permits and Fees	100,093	140,400	(40,307)
Investment Earnings	365,926	219,675	146,251
Special Assessments	5,068	5,622	(554)
Fines and Forfeitures	16,517	11,193	5,324
All Other Revenue	<u>126,682</u>	<u>158,805</u>	<u>(32,123)</u>
Total	<u>\$5,313,589</u>	<u>\$4,690,967</u>	<u>\$622,622</u>

General Fund revenues in 2005 increased approximately 13.3% compared to revenues in fiscal year 2004. Tax revenue contributed 46% of the \$622,622 increase. Tax revenues increased 11.3% compared to fiscal year 2004.

	2005	2004	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$2,581,702	\$2,407,434	\$174,268
Leisure Time Activities	394,683	402,018	(7,335)
Community Environment	221,349	193,591	27,758
Basic Utility Services	198,912	187,468	11,444
General Government	1,316,489	1,206,092	110,397
Capital Outlay	232,486	40,552	191,934
Debt Service:			
Principal Retirement	5,660	0	5,660
Interest and Fiscal Charges	<u>1,096</u>	<u>0</u>	<u>1,096</u>
Total	<u>\$4,952,377</u>	<u>\$4,437,155</u>	<u>\$515,222</u>

General Fund expenditures increased by \$515,222 or 11.6% mostly due to an increase in expenditures related to the acquisitions of new capital assets. Increases in the cost of health insurance and gasoline also contributed to the expenditure increase.

Special Assessment Bond Fund – The balance in this fund will typically change very little from year to year. Special assessment revenues collected each year should approximate the debt service required on the special assessment debt.

CITY OF TIPP CITY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2005

Unaudited

Capital Improvement Reserve Fund – The balance in this fund can fluctuate by 50% or more in a given year because this fund is utilized to account for the majority of the City's capital improvements. The level of funding and expenditures vary depending on the City's capital plans for the given year. During 2005, the fund balance decreased by 15% due to increased capital spending.

25-A Construction Fund – The balance in this fund decreased by \$323,935 in 2005. Spending on this construction project should continue to cause decreases in fund balances until the project is completed.

Swimming Pool Construction Fund - This fund decreased from a balance of \$2,372,262 to a balance of \$64,633. This is a result of the aquatic center construction being completed in 2005.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2005 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$5.76 million changed moderately over the original budget estimates of \$5.42 million. This increase can be attributed primarily to increased estimates for intergovernmental revenues and investment earnings. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the City had \$56,874,791 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$37,083,290 was related to governmental activities and \$19,791,501 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$11,761,322	\$10,196,111	\$1,565,211
Construction in Progress	1,383,432	3,353,124	(1,969,692)
Total Non-Depreciable Capital Assets	13,144,754	13,549,235	(404,481)
Buildings	6,013,246	4,582,591	1,430,655
Improvements Other Than Buildings	4,360,784	982,529	3,378,255
Machinery and Equipment	5,295,145	4,358,541	936,604
Infrastructure	20,469,919	16,710,239	3,759,680
Less: Accumulated Depreciation	(12,200,558)	(11,379,466)	(821,092)
Total Depreciable Capital Assets	23,938,536	15,254,434	8,684,102
Totals	\$37,083,290	\$28,803,669	\$8,279,621

CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$1,290,772	\$1,285,272	\$5,500
Construction in Progress	0	411,014	(411,014)
Total Non-Depreciable Capital Assets	1,290,772	1,696,286	(405,514)
Buildings	1,845,320	1,462,846	382,474
Improvements Other Than Buildings	25,204,236	22,443,126	2,761,110
Machinery and Equipment	2,301,054	2,218,243	82,811
Less: Accumulated Depreciation	(10,849,881)	(10,032,030)	(817,851)
Total Non-Depreciable Capital Assets	18,500,729	16,092,185	2,408,544
Totals	\$19,791,501	\$17,788,471	\$2,003,030

The largest increases in governmental activities capital assets occurred in land, infrastructure and improvements other than buildings. The primary reason for increases in these categories relate to road construction projects (new and resurfacing), new streets and storm sewers being dedicated to the City by developers, the new aquatic center, and new baseball fields. The largest increases in business-type activities are related to electric line extensions and capital contributions of water and sewer lines to the City by developers.

As of December 31, 2005, the City has contractual commitments of \$1,202,600 for the completion of the 25-A Construction project. Additional information on the City's capital assets can be found in Note 10.

Debt

At December 31, 2005, the City had \$9.67 million in bonds outstanding, \$1,125,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	2005	2004
Governmental Activities:		
General Obligation Bonds	\$7,395,000	\$8,300,000
Special Assessment Bonds	895,000	930,000
Capital Lease	55,840	0
Compensated Absences	749,796	697,102
Total Governmental Activities	9,095,636	9,927,102
Business-Type Activities:		
General Obligation Bonds	\$1,370,000	\$1,605,000
State Loan	408,510	432,095
Compensated Absences	236,753	228,043
Total Business-Type Activities	2,015,263	2,265,138
Totals	\$11,110,899	\$12,192,240

During 2005, the City issued \$750,000 in General Obligation Notes to provide funding for the 25-A construction project.

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Tipp City lies, is limited to ten mills. At December 31, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

ECONOMIC FACTORS

The local economy continues to improve as evidenced by the 23.5% growth in income tax revenues in 2005. Inflationary trends in the area compare favorably to national indices. Interest rates started to increase in 2005 and have continued to increase in 2006. This will have a positive effect on our investment earnings in 2006 and the future. The General fund budget is balanced in 2006 with receipts and expenses estimated at \$5.9 million. Income tax revenues, property tax revenues, interest earnings, and ambulance run receipts are projected to increase in 2006, but state shared revenue will remain about the same as in 2005.

General Fund budgeted expenses of \$5.9 million include a \$500,000 transfer to the Capital Improvement Reserve Fund for street improvements. The City can reduce this transfer and forgo some of our capital improvements in 2006, if revenue projections are lower than expected. The City will be adding a new police officer to its ranks in 2006, and also a full time facility and technology services supervisor. This position was part time in 2005.

The water rates have been raised in 2006. This is the fifth year the City has increased its water rates in anticipation of higher water supply cost from NAWA after the new treatment plant opens.

City Council continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources. If the State of Ohio continues to reduce the local share of state revenue, it will be imperative to increase revenue in order to maintain our present level of services.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling (937) 667-8426 or writing to City of Tipp City Finance Department, 260 South Garber Drive, Tipp City, Ohio 45317.



CITY OF TIPP CITY, OHIO

**Statement of Net Assets
December 31, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 1,906,101	\$ 765,392	\$ 2,671,493
Investments	3,483,707	5,200,354	8,684,061
Receivables:			
Taxes	1,312,230	0	1,312,230
Accounts	62,224	1,439,280	1,501,504
Intergovernmental	903,701	0	903,701
Interest	57,109	0	57,109
Special Assessments	1,561,068	734,468	2,295,536
Internal Balances	72,360	(72,360)	0
Inventory of Supplies at Cost	105,455	663,769	769,224
Prepaid Items	16,582	11,384	27,966
Investment in Joint Venture	0	4,760,589	4,760,589
Restricted Assets:			
Cash and Cash Equivalents	0	143,973	143,973
Non-Depreciable Capital Assets	13,144,754	1,290,772	14,435,526
Depreciable Capital Assets, Net	23,938,536	18,500,729	42,439,265
Total Assets	<u>46,563,827</u>	<u>33,438,350</u>	<u>80,002,177</u>
Liabilities:			
Accounts Payable	522,359	683,918	1,206,277
Accrued Wages and Benefits Payable	252,567	73,026	325,593
Intergovernmental Payable	11,447	68,752	80,199
Refundable Deposits	0	143,973	143,973
Unearned Revenue	331,333	0	331,333
Accrued Interest Payable	38,380	4,713	43,093
General Obligation Notes Payable	750,000	0	750,000
Noncurrent liabilities:			
Due within one year	1,065,451	280,866	1,346,317
Due in more than one year	8,030,185	1,734,397	9,764,582
Total Liabilities	<u>11,001,722</u>	<u>2,989,645</u>	<u>13,991,367</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	28,985,972	18,012,991	46,998,963
Restricted For:			
Capital Projects	1,366,398	0	1,366,398
Debt Service	1,376,106	0	1,376,106
Other Purposes	541,445	0	541,445
Unrestricted	3,292,184	12,435,714	15,727,898
Total Net Assets	<u>\$ 35,562,105</u>	<u>\$ 30,448,705</u>	<u>\$ 66,010,810</u>

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

**Statement of Activities
For the Year Ended December 31, 2005**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 2,801,884	\$ 533,723	\$ 0	\$ 0
Leisure Time Activities	1,047,316	360,939	0	90,000
Community Environment	223,831	130,100	0	0
Basic Utility Services	187,154	0	0	0
Transportation	1,282,315	17,891	631,689	5,304,254
General Government	1,487,548	0	0	0
Interest and Fiscal Charges	325,851	0	0	0
Total Governmental Activities	7,355,899	1,042,653	631,689	5,394,254
Business-Type Activities:				
Electric	9,042,072	9,801,970	0	161,326
Water	899,618	1,045,330	0	921,033
Sewer	1,085,803	1,163,874	0	1,342,507
Refuse Collection	501,255	532,205	0	0
Total Business-Type Activities	11,528,748	12,543,379	0	2,424,866
Totals	\$ 18,884,647	\$ 13,586,032	\$ 631,689	\$ 7,819,120

General Revenues:

Income Taxes
Property Taxes
Other Local Taxes
Unrestricted Shared Revenues
Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets Beginning of Year, Restated
Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,268,161)	\$ 0	\$ (2,268,161)
(596,377)	0	(596,377)
(93,731)	0	(93,731)
(187,154)	0	(187,154)
4,671,519	0	4,671,519
(1,487,548)	0	(1,487,548)
<u>(325,851)</u>	<u>0</u>	<u>(325,851)</u>
<u>(287,303)</u>	<u>0</u>	<u>(287,303)</u>
0	921,224	921,224
0	1,066,745	1,066,745
0	1,420,578	1,420,578
<u>0</u>	<u>30,950</u>	<u>30,950</u>
<u>0</u>	<u>3,439,497</u>	<u>3,439,497</u>
<u>(287,303)</u>	<u>3,439,497</u>	<u>3,152,194</u>
4,189,850	0	4,189,850
337,213	0	337,213
32,993	0	32,993
1,354,519	0	1,354,519
377,781	0	377,781
156,746	0	156,746
<u>659,747</u>	<u>(659,747)</u>	<u>0</u>
<u>7,108,849</u>	<u>(659,747)</u>	<u>6,449,102</u>
6,821,546	2,779,750	9,601,296
<u>28,740,559</u>	<u>27,668,955</u>	<u>56,409,514</u>
<u>\$ 35,562,105</u>	<u>\$ 30,448,705</u>	<u>\$ 66,010,810</u>

CITY OF TIPP CITY, OHIO

**Balance Sheet
Governmental Funds
December 31, 2005**

	General	Special Assessment Bond	Capital Improvement Reserve	25A- Construction
Assets:				
Cash and Cash Equivalents	\$ 409,284	\$ 587	\$ 132,548	\$ 610,595
Investments	2,631,486	0	852,221	0
Receivables:				
Taxes	971,013	0	151,652	0
Accounts	62,224	0	0	0
Intergovernmental	271,555	0	0	229,047
Interest	57,109	0	0	0
Special Assessments	0	1,399,411	161,657	0
Due from Other Funds	76,331	0	0	0
Inventory of Supplies, at Cost	57,470	0	0	0
Prepaid Items	15,646	0	0	0
Total Assets	\$ 4,552,118	\$ 1,399,998	\$ 1,298,078	\$ 839,642
Liabilities:				
Accounts Payable	\$ 29,164	\$ 0	\$ 14,979	\$ 286,309
Accrued Wages and Benefits Payable	233,714	0	0	0
Intergovernmental Payable	11,366	0	0	0
Due to Other Funds	3,646	0	0	0
Deferred Revenue	762,856	1,399,411	234,763	0
Accrued Interest Payable	0	0	0	14,488
General Obligation Notes Payable	0	0	0	750,000
Total Liabilities	1,040,746	1,399,411	249,742	1,050,797
Fund Balances:				
Reserved for Encumbrances	151,891	0	684,573	991,202
Reserved for Prepaid Items	15,646	0	0	0
Reserved for Supplies Inventory	57,470	0	0	0
Reserved for Debt Service	0	587	0	0
Undesignated and Unreserved in:				
General Fund	3,286,365	0	0	0
Special Revenue Funds	0	0	0	0
Capital Projects Funds	0	0	363,763	(1,202,357)
Total Fund Balances	3,511,372	587	1,048,336	(211,155)
Total Liabilities and Fund Balances	\$ 4,552,118	\$ 1,399,998	\$ 1,298,078	\$ 839,642

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

Swimming Pool Construction	Other Governmental Funds	Total Governmental Funds
\$ 248,522	\$ 504,565	\$ 1,906,101
0	0	3,483,707
0	189,565	1,312,230
0	0	62,224
0	403,099	903,701
0	0	57,109
0	0	1,561,068
0	0	76,331
0	47,985	105,455
0	936	16,582
<u>\$ 248,522</u>	<u>\$ 1,146,150</u>	<u>\$ 9,484,508</u>
\$ 183,889	\$ 8,018	\$ 522,359
0	18,853	252,567
0	81	11,447
0	325	3,971
0	298,586	2,695,616
0	0	14,488
0	0	750,000
<u>183,889</u>	<u>325,863</u>	<u>4,250,448</u>
64,385	90,929	1,982,980
0	936	16,582
0	47,985	105,455
0	0	587
0	0	3,286,365
0	361,808	361,808
248	318,629	(519,717)
<u>64,633</u>	<u>820,287</u>	<u>5,234,060</u>
<u>\$ 248,522</u>	<u>\$ 1,146,150</u>	<u>\$ 9,484,508</u>

CITY OF TIPP CITY, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2005***

Total Governmental Fund Balances	\$ 5,234,060
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	37,083,290
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	2,364,283
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,119,528)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 35,562,105</u></u>

See accompanying notes to the basic financial statements



CITY OF TIPP CITY, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005**

	General	Special Assessment Bond	Capital Improvement Reserve	25-A Construction
Revenues:				
Taxes	\$ 2,800,940	\$ 0	\$ 609,691	\$ 0
Intergovernmental Revenues	1,369,654	0	429,998	1,211,712
Charges for Services	528,709	0	0	0
Licenses, Permits and Fees	100,093	0	0	0
Investment Earnings	365,926	0	(616)	0
Special Assessments	5,068	73,653	59,366	0
Fines and Forfeitures	16,517	0	0	0
All Other Revenue	126,682	0	13,419	0
Total Revenue	5,313,589	73,653	1,111,858	1,211,712
Expenditures:				
Current:				
Security of Persons and Property	2,581,702	0	0	0
Leisure Time Activities	394,683	0	0	0
Community Environment	221,349	0	0	0
Basic Utility Services	198,912	0	0	0
Transportation	0	0	0	129,850
General Government	1,316,489	3,507	2,245	0
Capital Outlay	232,486	0	1,399,902	1,391,309
Debt Service:				
Principal Retirement	5,660	35,000	0	0
Interest and Fiscal Charges	1,096	34,865	0	14,488
Total Expenditures	4,952,377	73,372	1,402,147	1,535,647
Excess (Deficiency) of Revenues Over Expenditures	361,212	281	(290,289)	(323,935)
Other Financing Sources (Uses):				
Proceeds from Capital Lease	61,500	0	0	0
Transfers In	642,325	0	500,000	0
Transfers Out	(530,000)	0	(394,953)	0
Total Other Financing Sources (Uses)	173,825	0	105,047	0
Net Change in Fund Balances	535,037	281	(185,242)	(323,935)
Fund Balances at Beginning of Year	2,966,353	306	1,233,578	112,780
Increase in Inventory Reserve	9,982	0	0	0
Fund Balances (Deficit) End of Year	\$ 3,511,372	\$ 587	\$ 1,048,336	\$ (211,155)

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

Swimming Pool Construction	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 752,488	\$ 4,163,119
0	1,216,458	4,227,822
0	346,633	875,342
0	255	100,348
3,428	0	368,738
0	0	138,087
0	857	17,374
0	36,356	176,457
<u>3,428</u>	<u>2,353,047</u>	<u>10,067,287</u>
0	192	2,581,894
27,620	381,342	803,645
0	0	221,349
0	0	198,912
0	519,599	649,449
0	0	1,322,241
2,283,437	1,079,748	6,386,882
0	905,000	945,660
0	277,533	327,982
<u>2,311,057</u>	<u>3,163,414</u>	<u>13,438,014</u>
(2,307,629)	(810,367)	(3,370,727)
0	0	61,500
0	1,203,944	2,346,269
0	(761,569)	(1,686,522)
<u>0</u>	<u>442,375</u>	<u>721,247</u>
(2,307,629)	(367,992)	(2,649,480)
2,372,262	1,182,205	7,867,484
0	6,074	16,056
<u>\$ 64,633</u>	<u>\$ 820,287</u>	<u>\$ 5,234,060</u>

CITY OF TIPP CITY, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2005***

Net Change in Fund Balances - Total Governmental Funds \$ (2,649,480)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and contributions exceeded depreciation. 8,327,684

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals) is to decrease net assets. (48,063)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 341,752

The issuance of long-term debt (e.g. Capital Lease) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 884,160

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,131

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (36,638)

Change in Net Assets of Governmental Activities \$ 6,821,546

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,677,982	\$ 2,677,982	\$ 2,736,565	\$ 58,583
Intergovernmental Revenue	1,210,833	1,384,833	1,378,928	(5,905)
Charges for Services	451,433	468,033	499,685	31,652
Licenses and Permits	69,010	87,010	100,093	13,083
Investment Earnings	220,000	330,000	363,487	33,487
Special Assessments	8,500	4,500	5,068	568
Fines and Forfeitures	16,500	16,200	16,616	416
All Other Revenues	117,760	125,760	141,820	16,060
Total Revenues	<u>4,772,018</u>	<u>5,094,318</u>	<u>5,242,262</u>	<u>147,944</u>
Expenditures:				
Current:				
Security of Persons and Property	2,673,924	2,674,824	2,576,240	98,584
Leisure Time Activities	441,282	439,482	411,357	28,125
Community Environment	229,750	229,750	224,019	5,731
Basic Utility Services	218,180	218,180	207,670	10,510
General Government	1,592,527	1,595,927	1,473,274	122,653
Capital Outlay	78,363	196,463	190,462	6,001
Total Expenditures	<u>5,234,026</u>	<u>5,354,626</u>	<u>5,083,022</u>	<u>271,604</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(462,008)	(260,308)	159,240	419,548
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	1,500	100	176	76
Transfers In	649,661	649,661	642,325	(7,336)
Transfers Out	(400,000)	(530,000)	(530,000)	0
Advances In	0	20,000	20,000	0
Advances Out	0	(20,000)	(20,000)	0
Total Other Financing Sources (Uses):	<u>251,161</u>	<u>119,761</u>	<u>112,501</u>	<u>(7,260)</u>
Net Change in Fund Balance	(210,847)	(140,547)	271,741	412,288
Fund Balance at Beginning of Year	2,409,250	2,409,250	2,409,250	0
Prior Year Encumbrances	188,745	188,745	188,745	0
Fund Balance at End of Year	<u>\$ 2,387,148</u>	<u>\$ 2,457,448</u>	<u>\$ 2,869,736</u>	<u>\$ 412,288</u>

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

**Statement of Fund Net Assets
Proprietary Funds
December 31, 2005**

	Business-Type Activities				Total
	Enterprise Funds				
	Electric	Water	Sewer	Refuse Collection	
Assets:					
Current assets:					
Cash and Cash Equivalents	\$ 219,009	\$ 340,750	\$ 105,094	\$ 100,539	\$ 765,392
Investments	2,333,796	2,190,853	675,705	0	5,200,354
Receivables:					
Accounts	1,236,287	102,411	100,582	0	1,439,280
Special Assessments	39,167	55,838	639,463	0	734,468
Due from Other Funds	9,450	503	828	0	10,781
Inventory of Supplies at Cost	563,173	92,016	8,580	0	663,769
Prepaid Items	1,205	8,011	2,168	0	11,384
Restricted Assets:					
Cash and Cash Equivalents	143,973	0	0	0	143,973
Total current assets	<u>4,546,060</u>	<u>2,790,382</u>	<u>1,532,420</u>	<u>100,539</u>	<u>8,969,401</u>
Noncurrent assets:					
Investment in Joint Venture	0	10,295	4,750,294	0	4,760,589
Capital assets:					
Non-Depreciable Capital Assets	32,630	1,254,026	4,116	0	1,290,772
Depreciable Capital Assets, net	6,204,219	6,397,500	5,899,010	0	18,500,729
Total capital assets	<u>6,236,849</u>	<u>7,651,526</u>	<u>5,903,126</u>	<u>0</u>	<u>19,791,501</u>
Total noncurrent assets	<u>6,236,849</u>	<u>7,661,821</u>	<u>10,653,420</u>	<u>0</u>	<u>24,552,090</u>
Total assets	<u>10,782,909</u>	<u>10,452,203</u>	<u>12,185,840</u>	<u>100,539</u>	<u>33,521,491</u>
Liabilities:					
Current liabilities:					
Accounts Payable	620,525	6,188	8,859	48,346	683,918
Accrued Wages and Benefits Payable	51,154	15,301	6,571	0	73,026
Intergovernmental Payable	1,885	7,741	59,126	0	68,752
Refundable Deposits	143,973	0	0	0	143,973
Due to Other Funds	76,331	5,290	1,520	0	83,141
Accrued Interest Payable	2,390	1,108	1,215	0	4,713
General Obligation Bonds Payable - Current	100,000	85,000	50,000	0	235,000
Compensated Absences Payable - Current	29,128	11,161	5,577	0	45,866
Total Current Liabilities	<u>1,025,386</u>	<u>131,789</u>	<u>132,868</u>	<u>48,346</u>	<u>1,338,389</u>
Noncurrent Liabilities:					
General Obligation Bonds Payable	495,000	215,000	425,000	0	1,135,000
State Loan Payable	0	0	408,510	0	408,510
Compensated Absences Payable	152,245	22,016	16,626	0	190,887
Total noncurrent liabilities	<u>647,245</u>	<u>237,016</u>	<u>850,136</u>	<u>0</u>	<u>1,734,397</u>
Total Liabilities	<u>1,672,631</u>	<u>368,805</u>	<u>983,004</u>	<u>48,346</u>	<u>3,072,786</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	5,641,849	7,351,526	5,019,616	0	18,012,991
Unrestricted	3,468,429	2,731,872	6,183,220	52,193	12,435,714
Total Net Assets	<u>\$ 9,110,278</u>	<u>\$ 10,083,398</u>	<u>\$ 11,202,836</u>	<u>\$ 52,193</u>	<u>\$ 30,448,705</u>

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-type activities - Enterprise Funds				Total Enterprise Funds
	Electric	Water	Sewer	Refuse Collection	
Operating Revenues:					
Charges for Services	\$ 9,606,337	\$ 985,308	\$ 974,952	\$ 532,205	\$ 12,098,802
Other Operating Revenues	198,584	63,070	20,552	0	282,206
Total Operating Revenues	9,804,921	1,048,378	995,504	532,205	12,381,008
Operating Expenses:					
Personal Services	892,730	266,590	130,535	0	1,289,855
Contractual Services	7,573,612	123,244	649,678	501,255	8,847,789
Materials and Supplies	51,878	66,032	12,622	0	130,532
Utilities	16,611	48,109	9,705	0	74,425
Depreciation	341,541	291,561	228,489	0	861,591
Other Operating Expenses	5,926	2,835	1,269	0	10,030
Total Operating Expenses	8,882,298	798,371	1,032,298	501,255	11,214,222
Operating Income (Loss)	922,623	250,007	(36,794)	30,950	1,166,786
Non-Operating Revenue (Expenses):					
Income (Loss) from Joint Venture	0	0	169,105	0	169,105
Loss on Disposal of Capital Assets	(125,714)	(84,259)	(38,000)	0	(247,973)
Interest and Fiscal Charges	(34,060)	(16,988)	(15,505)	0	(66,553)
Investment Earnings	(2,951)	(3,048)	(735)	0	(6,734)
Total Non-Operating Revenues (Expenses)	(162,725)	(104,295)	114,865	0	(152,155)
Income (Loss) Before Contributions and Transfers	759,898	145,712	78,071	30,950	1,014,631
Transfers-Out	(484,475)	(84,894)	(90,378)	0	(659,747)
Capital Contributions	161,326	921,033	1,342,507	0	2,424,866
Change in Net Assets	436,749	981,851	1,330,200	30,950	2,779,750
Net Assets Beginning of Year, Restated	8,673,529	9,101,547	9,872,636	21,243	27,668,955
Net Assets End of Year	\$ 9,110,278	\$ 10,083,398	\$ 11,202,836	\$ 52,193	\$ 30,448,705

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-type activities - Enterprise Funds				Total
	Electric	Water	Sewer	Refuse Collection	
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$9,370,652	\$974,167	\$971,823	\$532,446	\$11,849,088
Cash Payments for Goods and Services	(7,792,883)	(234,666)	(661,465)	(490,788)	(9,179,802)
Cash Payments to Employees	(880,427)	(260,496)	(126,999)	0	(1,267,922)
Other Operating Revenues	239,934	66,190	13,257	0	319,381
Net Cash Provided by Operating Activities	937,276	545,195	196,616	41,658	1,720,745
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers Out to Other Funds	(484,475)	(84,894)	(90,378)	0	(659,747)
Net Cash Used for Noncapital Financing Activities	(484,475)	(84,894)	(90,378)	0	(659,747)
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Acquisition and Construction of Assets	(296,315)	(132,258)	(97,838)	0	(526,411)
Principal Paid on General Obligation Bonds	(100,000)	(85,000)	(50,000)	0	(235,000)
Principal Paid on State Loans	0	0	(23,585)	0	(23,585)
Interest Paid on All Debt	(34,548)	(17,323)	(15,588)	0	(67,459)
Net Cash Used for Capital and Related Financing Activities	(430,863)	(234,581)	(187,011)	0	(852,455)
<u>Cash Flows from Investing Activities:</u>					
Purchase of Investments	(425,634)	(546,040)	(61,020)	0	(1,032,694)
Net Cash Used for Investing Activities	(425,634)	(546,040)	(61,020)	0	(1,032,694)
Net Increase (Decrease) in Cash and Cash Equivalents	(403,696)	(320,320)	(141,793)	41,658	(824,151)
Cash and Cash Equivalents at Beginning of Year	766,678	661,070	246,887	58,881	1,733,516
Cash and Cash Equivalents at End of Year	\$362,982	\$340,750	\$105,094	\$100,539	\$909,365
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>					
Cash and Cash Equivalents	\$219,009	\$340,750	\$105,094	\$100,539	\$765,392
Restricted Cash and Cash Equivalents	143,973	0	0	0	143,973
Cash and Cash Equivalents at End of Year	\$362,982	\$340,750	\$105,094	\$100,539	\$909,365

(Continued)

CITY OF TIPP CITY, OHIO

	Business-type activities - Enterprise Funds				
	Electric	Water	Sewer	Refuse Collection	Total
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided by Operating Activities:</u>					
Operating Income (Loss)	\$922,623	\$250,007	(\$36,794)	\$30,950	\$1,166,786
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation Expense	341,541	291,561	228,489	0	861,591
Adjustments to Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(230,308)	(11,065)	(3,021)	241	(244,153)
(Increase) Decrease in Special Assessments Receivable	2,061	3,120	(7,295)	0	(2,114)
(Increase) Decrease in Inventory	(30,233)	4,108	837	0	(25,288)
Increase in Prepaid Items	(58)	(3,293)	(1,801)	0	(5,152)
Increase in Due from Other Funds	(1,825)	(76)	(108)	0	(2,009)
Increase (Decrease) in Accounts Payable	(105,388)	(2,470)	3,986	10,467	(93,405)
Increase in Accrued Wages and Benefits	11,115	1,962	146	0	13,223
Increase in Due to Other Funds	6,700	786	369	0	7,855
Increase in Intergovernmental Payable	410	6,423	8,418	0	15,251
Increase in Customer Deposits Payable	19,450	0	0	0	19,450
Increase in Compensated Absences	1,188	4,132	3,390	0	8,710
Total Adjustments	14,653	295,188	233,410	10,708	553,959
Net Cash Provided by Operating Activities	\$937,276	\$545,195	\$196,616	\$41,658	\$1,720,745

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2005, the Electric, Water and Sewer Funds had an outstanding liabilities of \$167,645, \$3,900 and \$3,900, respectively, for the purchase of certain capital assets. During 2005 the Electric, Water and Sewer funds received capital contributions in the amounts of \$161,326, \$921,033 and \$1,342,507 respectively. During 2005 the fair value of investments decreased by \$2,951, \$3,048 and \$735 in the Electric, Water and Sewer Funds, respectively.

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

***Statement of Assets and Liabilities
Agency Funds
December 31, 2005***

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 88,155
Restricted Assets:	
Cash and Cash Equivalents	<u>41,124</u>
Total Assets	<u><u>\$ 129,279</u></u>
Liabilities:	
Due to Others	<u>\$ 129,279</u>
Total Liabilities	<u><u>\$ 129,279</u></u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tipp City, Ohio (the “City”) is a home-rule municipal corporation created under the laws of the State of Ohio. The City was incorporated as a village in 1850 and became a city in 1960. The City operates under its own Charter. The current Charter, which provides for a Council-Manager form of government, was adopted in 1968 and has been amended four times (in 1977, 1984, 1992 and 2000).

The financial statements are presented as of December 31, 2005 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, “*The Financial Reporting Entity*,” in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, emergency medical services, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system and an electric distribution system, each of which is reported as an enterprise fund.

The City is a participant in a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA) with other local cities. This organization is a jointly governed organization. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA. See Note 17 for further information.

1. Joint Venture with Equity Interest

Tri-Cities North Regional Wastewater Authority - The City is a participant with the cities of Huber Heights and Vandalia in a joint venture to provide reliable, reasonably priced and environmentally sound wastewater utility collection and treatment service for their respective communities. See Note 18 for further information.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Joint Venture with Equity Interest (Continued)

Northern Area Water Authority (NAWA) – The City is a participant with the City of Vandalia in a joint venture to provide efficient water treatment services to meet the needs of both communities. See Note 17 for further information.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/(expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds

The governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of “financial flow” (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Special Assessment Bond Fund – This fund is used to account for special assessments levied and for the payment of special assessment bonded debt with governmental commitment.

Capital Improvement Reserve Fund - This fund is used to account for financial resources used for major capital projects undertaken by the City.

25-A Construction Fund - This fund is used to account for improvements to 25A County Road financed by note proceeds.

Swimming Pool Construction Fund - This fund is used to account for the construction of the Family Aquatic Center and baseball fields.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

All proprietary funds are accounted for on an “economic resources” measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City’s major enterprise funds are:

Electric Fund – This fund is used to account for the operation of the City’s electric service.

Water Fund – This fund is used to account for the operation of the City’s water service.

Sewer Fund – This fund is used to account for the operation of the City’s sanitary sewer service.

Refuse Collection Fund - This fund is used to account for the operation of the City’s refuse collection service.

Fiduciary Funds

Agency Funds - These funds are used to account for assets held by a government unit as an agent for individuals, private organizations, other governmental units, and/or other funds. The City’s agency funds account for contractor fees, employee health insurance withholdings and monies of the Northern Area Water Authority (During 2005 the City relinquished its title of “fiscal agent” for NAWA.) Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column; however, the interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

Special assessment installments including related interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2005 but which are not intended to finance 2005 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

The accrual basis of accounting is utilized for reporting purposes by the government-wide statements, the enterprise funds and the agency funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the City follows GASB guidance as applicable to proprietary funds, as included in business-type activities and proprietary fund statements, and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the department level within each fund. Budgetary modifications may only be made by ordinance of the City Council.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

The City Finance Director submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund and department level, and may be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the department level. The allocation of appropriations within a fund may be modified with the approval of the City Council. During 2005, several supplemental appropriations measures were necessary to budget the use of contingency funds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
GAAP Basis (as reported)	\$535,037
Increase (Decrease):	
Accrued Revenues at December 31, 2005 received during 2006	(667,932)
Accrued Revenues at December 31, 2004 received during 2005	534,656
Accrued Expenditures at December 31, 2005 paid during 2006	277,890
Accrued Expenditures at December 31, 2004 paid during 2005	(223,729)
2004 Prepays for 2005	9,643
2005 Prepays for 2006	(15,646)
Outstanding Encumbrances	(178,178)
Budget Basis	<u>\$271,741</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash represents the balance on hand as if each fund maintains its own cash and investments account. For purposes of the statement of cash flows, the proprietary funds' share of equity in investments with original maturities of three months or less are considered to be cash and cash equivalents. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code, and the City's Investment Policies. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 5, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005.

H. Restricted Assets

Restricted assets in the enterprise funds represent cash and cash equivalents held as customer deposits.

I. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market (first-in, first-out) in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. Inventories of enterprise funds are expensed when used.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$750 and an estimated useful life threshold of three or more years.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, construction in progress, buildings, improvements other than buildings, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets, drainage systems and lighting systems.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation (Continued)

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation on newly acquired/constructed streets begins in the year following acquisition. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in Years)
Buildings	50
Improvements Other Than Buildings	10 - 45
Machinery, Equipment, Furniture and Fixtures	3 - 35
Infrastructure	50 - 65

L. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bonds	General Bond Retirement Fund Water Fund Sewer Fund Electric Fund
Special Assessment Bond	Special Assessment Bond Retirement Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Municipal Road Fund Water Fund Sewer Fund Electric Fund
State Loan	Sewer Fund
Capital Lease	General Fund

M. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. For proprietary funds, the entire compensated absences amount is reported as a fund liability.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, federal grants for security of persons and property and mandatory fines for various court programs.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet. Long-term interfund loans are classified as “advances to/from other funds.”

R. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies, prepaid items, debt service and encumbered amounts not accrued at year end.

S. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric generation and distribution, water treatment and distribution, wastewater collection and treatment and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 –RESTATEMENT OF NET ASSETS

Restatement of Net Assets - The net assets of governmental activities and business-type activities (electric fund) were restated to correct an error in the recognition of special assessment receivables. The correction resulted in changes to governmental and business-type activity net assets reported at December 31, 2004 as follows:

	Special Assessment Bond Fund	Governmental Activities	Business-Type Activities (Electric Fund)
Net Assets at December 31, 2004 (as reported)	\$306	\$27,267,495	\$10,146,593
Adjustments:			
Special Assessments Receivable	1,473,064	0	(1,473,064)
Deferred Revenue	(1,473,064)	1,473,064	0
Net Assets at December 31, 2004 (as restated)	<u>\$306</u>	<u>\$28,740,559</u>	<u>\$8,673,529</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Deferred/Delinquent Income Tax Revenue	\$449,430
Delinquent Property Tax Revenue	14,338
Shared Revenues	318,390
Interest Revenue	21,057
Special Assessment Revenue	<u>1,561,068</u>
	\$2,364,283

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$7,395,000)
Special Assessment Bond Payable	(895,000)
Accrued Interest on Long-Term Debt	(23,892)
Capital Lease Payable	(55,840)
Compensated Absences Payable	<u>(749,796)</u>
	(\$9,119,528)

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which capital outlay and contributions exceeded depreciation in the current period:

Capital Outlay	\$6,386,882
Capital Contributions	3,108,659
Depreciation Expense	(1,167,857)
	<u>\$8,327,684</u>

Governmental revenues not reported in the funds:

Increase in Deferred/Delinquent Income Tax Revenue	\$388,907
Increase in Property Tax Revenue	8,030
Increase in Shared Revenue	43,981
Decrease in Special Assessment Revenue	(108,209)
Increase in Interest Revenue	9,043
	<u>\$341,752</u>

Net amount of new capital lease and bond and lease principal payments:

General Obligation Bond Principal Payment	\$905,000
Special Assessment Bond Principal Payment	35,000
New Capital Lease	(61,500)
Capital Lease Payments	5,660
	<u>\$884,160</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$52,694)
Increase in supplies inventory	16,056
	<u>(\$36,638)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

The fund deficit at December 31, 2005 of \$211,155 in the 25-A Construction Fund (capital projects fund) is the result of recording notes payable in the individual fund balance sheet. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

B. Budgetary Deficit

The budgetary deficit at December 31, 2005 of \$666,916 in the 25-A Construction Fund arises from the recording of encumbrances as expenditures. As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The deficit does not exist under the cash basis of accounting. Transfers are provided when cash is required, not when encumbrances are recorded.

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." Ohio law requires the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$2,644,745 and the bank balance was \$2,747,511. Federal depository insurance covered \$200,000 of the bank balance. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$2,547,511</u>
Total Balance	<u><u>\$2,547,511</u></u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2005 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>			
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>	<u>more than 5</u>
STAROhio	\$2,850,000	AAAm ¹	\$2,850,000	\$0	\$0	\$0
United States Treasury Bills	1,878,955	N/A	1,878,955	0	0	0
United States Treasury Notes	<u>4,255,106</u>	N/A	<u>0</u>	<u>4,255,106</u>	<u>0</u>	<u>0</u>
Total Investments	<u>\$8,984,061</u>		<u>\$4,728,955</u>	<u>\$4,255,106</u>	<u>\$0</u>	<u>\$0</u>

¹ Standard & Poor's

N/A - Obligations of the U.S. Government are explicitly guaranteed by the US Government and are not considered to have credit risk.

Interest Rate Risk – The City's investment policy generally limits security purchases to those that mature within three years of settlement date.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 20.9% are U.S. Treasury Bills, and 47.3% are U.S. Treasury Notes.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the City's investments are collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio and certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments (Continued)

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

	Cash and Cash Equivalents	Investments
Per GASB Statement No. 9	\$2,944,745	\$8,684,061
Certificates of Deposit (with maturities of more than 3 months)	2,550,000	(2,550,000)
Investments:		
STAR Ohio	(2,850,000)	2,850,000
Per GASB Statement No. 3	<u>\$2,644,745</u>	<u>\$8,984,061</u>

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2005 were levied after October 1, 2004 on assessed values as of January 1, 2004, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last equalization adjustment was completed in 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 6 – TAXES (Continued)

A. Property Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Tipp City. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2005 was \$1.40 per \$1,000 of assessed value. The assessed value upon which the 2005 levy was based was \$266,979,780. This amount constitutes \$209,125,870 in real property assessed value, \$5,683,980 in public utility assessed value and \$52,169,930 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .140% (1.40 mills) of assessed value.

B. Income Tax

During 2005, the City levied a tax of 1.25% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Municipal income tax revenue for 2005 was \$4,189,850. This represents a 23.5% increase over 2004 income tax revenue of \$3,393,013.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, special assessments, interfund receivables, interest, accounts receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectable in full.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2005:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$642,325	\$530,000
Capital Improvement Reserve Fund	500,000	394,953
Other Governmental Funds	1,203,944	761,569
Total Governmental Funds	<u>2,346,269</u>	<u>1,686,522</u>
Electric Fund	0	484,475
Water Fund	0	84,894
Sewer Fund	0	90,378
Total Proprietary Funds	<u>0</u>	<u>659,747</u>
Totals	<u>\$2,346,269</u>	<u>\$2,346,269</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds for 2005:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$76,331	\$3,646
Other Governmental Funds	0	325
Total Governmental Funds	<u>76,331</u>	<u>3,971</u>
Electric Fund	9,450	76,331
Water Fund	503	5,290
Sewer Fund	828	1,520
Total Proprietary Funds	<u>10,781</u>	<u>83,141</u>
Totals	<u>\$87,112</u>	<u>\$87,112</u>

Interfund receivables and payables account for amounts due between funds for utility balances.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<i>Non-depreciable Capital assets:</i>				
Land	\$10,196,111	\$1,565,211	\$0	\$11,761,322
Construction in Progress	3,353,124	1,383,432	(3,353,124)	1,383,432
Total Non-depreciable Capital assets	13,549,235	2,948,643	(3,353,124)	13,144,754
<i>Capital assets being depreciated:</i>				
Buildings	4,582,591	1,448,439	(17,784)	6,013,246
Improvements Other Than Buildings	982,529	3,378,255	0	4,360,784
Machinery and Equipment	4,358,541	1,113,786	(177,182)	5,295,145
Infrastructure	16,710,239	3,959,542	(199,862)	20,469,919
Total Depreciable Capital assets	26,633,900	9,900,022	(394,828)	36,139,094
Total Cost	\$40,183,135	\$12,848,665	(\$3,747,952)	\$49,283,848

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$1,021,343)	(\$108,192)	\$9,611	(\$1,119,924)
Improvements Other Than Buildings	(346,781)	(132,877)	0	(479,658)
Machinery and Equipment	(2,914,649)	(369,417)	162,066	(3,122,000)
Infrastructure	(7,096,693)	(557,371)	175,088	(7,478,976)
Total Depreciation	(\$11,379,466)	(\$1,167,857) *	\$346,765	(\$12,200,558)
<i>Net Value:</i>	\$28,803,669			\$37,083,290

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	(\$189,593)
Leisure Time Activities	(234,346)
Transportation	(638,343)
General Government	(105,575)
Total Depreciation Expense	(\$1,167,857)

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 10 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<i>Non-depreciable Capital assets:</i>				
Land	\$1,285,272	\$5,500	\$0	\$1,290,772
Construction in Progress	411,014	0	(411,014)	0
Total Non-depreciable Capital Assets	<u>1,696,286</u>	<u>5,500</u>	<u>(411,014)</u>	<u>1,290,772</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,462,846	524,060	(141,586)	1,845,320
Improvements Other Than Buildings	22,443,126	2,770,007	(8,897)	25,204,236
Machinery and Equipment	2,218,243	224,041	(141,230)	2,301,054
Total Depreciable Capital assets	<u>26,124,215</u>	<u>3,518,108</u>	<u>(291,713)</u>	<u>29,350,610</u>
Total Cost	<u>\$27,820,501</u>	<u>\$3,523,608</u>	<u>(\$702,727)</u>	<u>\$30,641,382</u>

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$554,973)	(\$31,762)	\$19,327	(\$567,408)
Improvements Other Than Buildings	(8,190,595)	(646,752)	1,762	(8,835,585)
Machinery and Equipment	(1,286,462)	(183,077)	22,651	(1,446,888)
Total Depreciation	<u>(\$10,032,030)</u>	<u>(\$861,591)</u>	<u>\$43,740</u>	<u>(\$10,849,881)</u>
<i>Net Value:</i>	<u>\$17,788,471</u>			<u>\$19,791,501</u>

NOTE 11 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Ohio Public Employees Retirement System (the “Ohio PERS”)

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

All employees of the City, except full-time uniformed police officers, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2005, 2004, and 2003 were \$388,308, \$363,083 and \$369,497, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$114,630.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004, and 2003 were \$211,641, \$196,938 and \$204,308 for police, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2005 covered payroll that was used to fund postemployment health care benefits was \$84,114 representing 7.75% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

NOTE 12 - COMPENSATED ABSENCES

All full-time City employees earn vacation at a rate of between 80 to 200 hours per year of active service based on the employee's years of service. Employees are allowed to carry over up to 120 hours, 160 hours or 360 hours to the following year dependent on their employment contract. Upon separation from the City, the employee (or his estate) receives 100% of all vacation and from 25% (up to a maximum of 30 days) to 75% (up to a maximum of 180 days) of the employee's sick leave balance based on years of service and dependent upon the employment contract.

At December 31, 2005, the City's accumulated, unpaid compensated absences amounted to \$986,549, of which \$749,796 is recorded as a liability of the Governmental Activities and \$236,753 is recorded as a liability of the Business-Type Activities. The amounts are recorded in “Due within One Year” and “Due in More Than One Year” on the Entity Wide Statement of Net Assets based upon estimated usage.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 13 - NOTES PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The City is retiring its notes payable by the issuance of one-year renewal notes with a portion of the principal being retired in accordance with the above provisions.

The City had the following bond anticipation note activity during 2005:

	Maturity Date	Balance December 31, 2004	Issued	(Retired)	Balance December 31, 2005
Capital Projects Notes Payable:					
2.85% 25A Reconstruction	4/26/2006	\$0	\$750,000	\$0	\$750,000
Total Notes Payable		<u>\$0</u>	<u>\$750,000</u>	<u>\$0</u>	<u>\$750,000</u>

NOTE 14 - CAPITAL LEASE

The City is obligated under a capital lease for the lease-purchase of a phone system. The cost of the equipment obtained under the lease agreement (\$61,500) is included in the Governmental Activities capital assets as machinery and equipment. The liability for this lease is recorded on the Statement of Net Assets as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2005:

Year Ending December 31,	Governmental Activities
2006	\$13,512
2007	13,512
2008	13,512
2009	13,512
2010	<u>6,756</u>
Minimum Lease Payments	60,804
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(4,964)</u>
Present value of minimum lease payments	<u>\$55,840</u>

CITY OF TIPP CITY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 15 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2005 were as follows:

	Original Issue Amount	Maturity Year	Balance December 31, 2004	Issued	(Retired)	Balance December 31, 2005	Amount Due Within One Year
Business Type-Activities:							
General Obligation Bonds:							
7.13% Electric Improvement	\$850,000	2006	\$100,000	\$0	(\$50,000)	\$50,000	\$50,000
7.13% Water System Improvement	600,000	2008	120,000	0	(30,000)	90,000	30,000
4.6-4.625% Water Improvement Bonds	320,000	2007	90,000	0	(30,000)	60,000	30,000
4.6-4.625% Electric Improvement Bonds	995,000	2015	595,000	0	(50,000)	545,000	50,000
2.0-3.5% Woodlawn Water Bonds	200,000	2011	175,000	0	(25,000)	150,000	25,000
2.0-3.5% Woodlawn Sewer Bonds	250,000	2013	225,000	0	(25,000)	200,000	25,000
2.0-3.85% Rosewood Sewer Bonds	300,000	2016	300,000	0	(25,000)	275,000	25,000
Total General Obligation Bonds			1,605,000	0	(235,000)	1,370,000	235,000
0.00% North East Sewer Interceptor Loan	597,260	2014	432,095	0	(23,585)	408,510	0
Compensated Absences			228,043	236,753	(228,043)	236,753	45,866
Total Business-Type Activity Long-Term Liabilities			\$2,265,138	\$236,753	(\$486,628)	\$2,015,263	\$280,866
Governmental Activities:							
Unvoted General Obligation Bonds:							
7.13% Government Center Bond - I	\$560,000	2008	\$110,000	\$0	(\$30,000)	\$80,000	\$30,000
4.6-4.625% Service Center Improvement	940,000	2015	540,000	0	(50,000)	490,000	50,000
4.0-4.800% Capital Facilities Bond	2,325,000	2019	1,675,000	0	(175,000)	1,500,000	150,000
2.0-3.5% Recreation Facility Bond	5,200,000	2013	5,200,000	0	(500,000)	4,700,000	550,000
2.0-3.65% 25A Reconstruction Bond	250,000	2014	250,000	0	(25,000)	225,000	25,000
2.0-3.65% Fire Truck Equipment Bond	275,000	2014	275,000	0	(25,000)	250,000	25,000
2.0-4.15% Donn Davis Construction - City Share	250,000	2017	250,000	0	(100,000)	150,000	25,000
Total General Obligation Bonds			8,300,000	0	(905,000)	7,395,000	855,000
Special Assessment Bonds (with governmental commitment):							
2.0-4.5% Donn Davis Construction Bond	930,000	2024	930,000	0	(35,000)	895,000	35,000
Capital Lease	61,500		0	61,500	(5,660)	55,840	11,632
Compensated Absences			697,102	749,796	(697,102)	749,796	163,819
Total Governmental Activity Long-Term Liabilities			\$9,927,102	\$811,296	(\$1,642,762)	\$9,095,636	\$1,065,451

The principal amount of the City's special assessment bonds outstanding at December 31, 2005, \$895,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. At December 31, 2005 the amount of delinquent special assessments receivable totaled \$7,540.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

A. Future Long-Term Financing Requirements

The City's future long-term obligation funding requirements, including principal and interest payments as of December 31, 2005, follow:

Years	General Obligation Bonds		Special Assessment Bonds		Loan Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$1,090,000	\$309,236	\$35,000	\$34,165	\$0	\$0
2007	1,035,000	275,044	35,000	33,465	0	0
2008	990,000	243,020	35,000	32,678	0	0
2009	935,000	210,099	35,000	31,715	0	0
2010	990,000	179,139	40,000	30,665	0	0
2011-2015	3,280,000	405,659	210,000	133,083	408,510	0
2016-2020	445,000	49,779	255,000	89,864	0	0
2021-2024	0	0	250,000	23,310	0	0
Totals	<u>\$8,765,000</u>	<u>\$1,671,976</u>	<u>\$895,000</u>	<u>\$408,945</u>	<u>\$408,510</u>	<u>\$0</u>

NOTE 16 – CONSTRUCTION COMMITMENT

At December 31, 2005 the City had the following contractual commitment outstanding:

Project	Remaining Contractual Commitment	Expected Date of Completion
25-A Roadway Improvement	\$1,202,600	Summer 2006
Total Commitments	<u>\$1,202,600</u>	

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 17 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. On September 1, 1996 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities.

As of December 31, 2005, the pool has twenty members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, general liability, boiler and machinery, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a full-time Claims Manager, Loss Control Manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board.

The twenty participating cities and their respective pool contribution factors for the loss year ended December 31, 2005 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	7.92 %	Montgomery	3.44 %
Bellbrook	0.37 %	Piqua	3.24 %
Blue Ash	6.86 %	Sidney	8.40 %
Centerville	1.03 %	Springdale	5.56 %
Englewood	0.54 %	Tipp City	2.21 %
Indian Hill	2.65 %	Troy	7.53 %
Kettering	16.16 %	Vandalia	5.12 %
Madeira	1.55 %	West Carrollton	4.53 %
Mason	5.59 %	Wilmington	4.61 %
Miamisburg	10.32 %	Wyoming	2.37 %
Subtotal	<u>52.99 %</u>	Subtotal	<u>47.01 %</u>
		Total	<u>100.00 %</u>

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 17 - RISK MANAGEMENT (Continued)

The following is a summary of insurance coverages at year end:

Property	\$1,000,000,000	per occurrence
Crime / Employee Theft	2,000,000	per occurrence
Liability	7,000,000	per occurrence
Flood	25,000,000	Aggregate
Flood (Zones A & V)	5,000,000	Aggregate
Earthquake (Property)	25,000,000	Aggregate
Extra Expense	5,000,000	per occurrence

The deductible per occurrence is \$2,500. During 2005, MVRMA's self insured retention (SIR) limit for property was \$200,000 except boiler and machinery, which was \$5,000. The SIR for liability was \$1,000,000. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2005.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City pays unemployment claims to the State of Ohio as incurred.

In August 1994, the City joined the Ohio Benefits Co-operative, Inc., a health co-op comprised of twelve political subdivisions. The co-op was formed to explore the benefits of insurance pooling and collective purchasing strategies for its members. The co-op currently has a contract with Anthem Blue Cross and Blue Shield to handle their health insurance needs. The City pays a premium to Anthem, which handles all claims and benefit processing and assumes all risks.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three years.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 18 - JOINT VENTURES

A. Tri-Cities North Regional Wastewater Authority

Prior to June of 1996 the Miami Conservancy District provided the cities of Tipp City, Vandalia and Huber Heights with wastewater treatment services. The Miami Conservancy District expressed the intent to no longer provide these services to the cities and gave them the option to acquire and operate the facility themselves. In order to do so, the three cities established the Tri-Cities North Regional Wastewater Authority.

Tri-Cities North Regional Wastewater Authority (Tri-Cities) is a joint venture among the cities of Tipp City, Vandalia and Huber Heights. Tri-Cities is governed by a management board consisting of the city managers of the three participating cities. The Board has complete authority over all the aspects of the Plant's operation. Tri-Cities supplies all participating residents of the member cities with sewer services. Each city owns the sewage lines located in its city and bills its residents for usage. Continued existence of Tri-Cities is dependent on the City's continued participation, and the City does have an equity interest. The percentage of equity interest for each city is based on annual usage and is adjusted each year accordingly. The City's equity interest is \$4,750,294 which represents 19.33% of the total equity in Tri-Cities. This reflects a decrease of .16% below the City's equity interest of 19.49% in 2004. Tri-Cities is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefits to or burden on the City. During 2005, the City paid \$642,716 to Tri-Cities for services provided. Complete financial statements can be obtained from Tri-Cities North Regional Wastewater Authority, 3777 Old Needmore Road, Dayton, Ohio 45424.

B. Northern Area Water Authority

On March 8, 2002, City officials from Tipp City and Vandalia signed a joint venture agreement, creating the Northern Area Water Authority (NAWA). The joint venture is the result of years of study and planning on the best and most efficient way to service the water treatment needs of both communities. As a result of the joint venture agreement, NAWA will oversee the design, construction and operation of a new water treatment plant that will be located in Tipp City. NAWA is governed by a five-member management board, which will have complete authority over all aspects of the plant's operation. The organization is currently in its infancy stages. The City's equity interest is \$10,295 which represents 50% of the total equity in NAWA. NAWA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefits to or burden on the City. NAWA did file a GAAP basis financial statement in accordance with Ohio Revised Code and copies of this report are available from the Northern Area Water Authority, 333 J.E. Bohanan Dr., Vandalia, Ohio 45377.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 19 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 20 – SUBSEQUENT EVENTS

On April 25, 2006 the City issued \$725,000 in one year General Obligation Notes. The proceeds of the notes were used to retire, with cash on hand, \$750,000 Notes due on April 26, 2006 issued for the purpose of improving County Road 25A. The Notes were sold to US Bank at a net interest rate of 3.79%.

On May 16, 2006 the City borrowed \$1,100,000 from Amp- Ohio for improvements to the City's electric system, including the acquisition and installation of a new 1,825 kW back-up generator. The Revenue Note has an interest rate of 3.90% and is collateralized solely by electric revenues.

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLES

Tipp City has implemented GASB 40, *Deposits and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investment (Including Repurchase Agreements) and Reverse Repurchase Agreements*. Implementation of this GASB statement had no impact on the Tipp City's financial position or results of operation.



*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, AND
FIDUCIARY FUNDS.*

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Swimming Pool Fund

To account for revenues and expenditures related to the operations of the Tipp City Municipal Pool.

Street Construction, Maintenance and Repair Fund

To account for state levied and controlled gasoline tax and motor vehicle license fees designated for local street construction, maintenance and repair.

State Highway Improvement Fund

To account for the portion of the state gasoline tax and motor vehicle license fees designated for construction, maintenance and repair of state highways within the City.

Municipal Road Fund

To account for that portion of motor vehicle license fees designated for routine street maintenance and repairs.

Law Enforcement Fund

To account for all monies and expenditures related to property or goods obtained by seizure or forfeiture.

Enforcement and Education Fund

To account for financial resources used to educate the public regarding laws governing the operation of motor vehicles while under the influence of alcohol.

Drug Law Enforcement Fund

To account for monies obtained through fines distributed to the City from drug related offenses or the sale and/or seizure of contraband, and are used to subsidize the City's law enforcement efforts.

Federal Emergency Management Agency (FEMA) Grant Fund

This fund is to account for grant funds received from the Federal Emergency Management Agency and the Ohio Emergency Management Agency for approved projects under the Public Assistance Grant Program. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Special Revenue Funds

Emergency Medical Services (EMS) Donation Trust Fund

To account for revenue from contributions of gifts and donations to the Emergency Medical Services department.

Police Donation Trust Fund

To account for revenue from contributions of gifts and donations to the police department.

Debt Service Fund

The Debt Service Funds are used to account for retirement of the City's general obligation and special assessment bonds.

General Bond Retirement Fund

To account for the accumulation of resources for the payment of general obligation debt of the City including self-supporting obligations not otherwise paid from proprietary funds.

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Police Facilities Construction Fund

To account for construction of a new police facility financed by bond proceeds. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Parks Capital Improvement Fund

To account for various capital improvement projects for our city parks system. Revenues consist of a .25% city income tax levy approved by the voters to fund city park improvements.

Donn Davis Way Construction Fund

To account for the construction of Donn Davis Way.

Ohio Public Works Commission (OPWC) Grant Fund

To account for street construction projects, partially funded by state grants from the Ohio Public Works Commission. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

CITY OF TIPP CITY, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 303,878	\$ 200,687	\$ 504,565
Receivables:			
Taxes	0	189,565	189,565
Intergovernmental	313,099	90,000	403,099
Inventory of Supplies, at Cost	47,985	0	47,985
Prepaid Items	936	0	936
Total Assets	<u>\$ 665,898</u>	<u>\$ 480,252</u>	<u>\$ 1,146,150</u>
Liabilities:			
Accounts Payable	\$ 7,306	\$ 712	\$ 8,018
Accrued Wages and Benefits Payable	18,853	0	18,853
Intergovernmental Payable	81	0	81
Due to Other Funds	325	0	325
Deferred Revenue	208,700	89,886	298,586
Total Liabilities	<u>235,265</u>	<u>90,598</u>	<u>325,863</u>
Fund Balances:			
Reserved for Encumbrances	19,904	71,025	90,929
Reserved for Prepaid Items	936	0	936
Reserved for Supplies Inventory	47,985	0	47,985
Undesignated/Unreserved	361,808	318,629	680,437
Total Fund Balances	<u>430,633</u>	<u>389,654</u>	<u>820,287</u>
Total Liabilities and Fund Balances	<u>\$ 665,898</u>	<u>\$ 480,252</u>	<u>\$ 1,146,150</u>

CITY OF TIPP CITY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 0	\$ 0	\$ 752,488	\$ 752,488
Intergovernmental Revenues	572,573	0	643,885	1,216,458
Charges for Services	346,633	0	0	346,633
Licenses and Permits	255	0	0	255
Fines and Forfeitures	857	0	0	857
All Other Revenue	26,651	0	9,705	36,356
Total Revenue	<u>946,969</u>	<u>0</u>	<u>1,406,078</u>	<u>2,353,047</u>
Expenditures:				
Current:				
Security of Persons and Property	192	0	0	192
Leisure Time Activities	381,342	0	0	381,342
Transportation	507,995	0	11,604	519,599
Capital Outlay	95,983	0	983,765	1,079,748
Debt Service:				
Principal Retirement	0	905,000	0	905,000
Interest and Fiscal Charges	0	277,533	0	277,533
Total Expenditures	<u>985,512</u>	<u>1,182,533</u>	<u>995,369</u>	<u>3,163,414</u>
Excess (Deficiency) of Revenues Over Expenditures	(38,543)	(1,182,533)	410,709	(810,367)
Other Financing Sources (Uses):				
Transfers In	30,000	1,173,944	0	1,203,944
Transfers Out	0	0	(761,569)	(761,569)
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>1,173,944</u>	<u>(761,569)</u>	<u>442,375</u>
Net Change in Fund Balances	(8,543)	(8,589)	(350,860)	(367,992)
Fund Balances at Beginning of Year	433,102	8,589	740,514	1,182,205
Increase in Inventory Reserve	6,074	0	0	6,074
Fund Balances End of Year	<u>\$ 430,633</u>	<u>\$ 0</u>	<u>\$ 389,654</u>	<u>\$ 820,287</u>

CITY OF TIPP CITY, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	Swimming Pool	Street Construction, Maintenance and Repair	State Highway Improvement	Municipal Road
Assets:				
Cash and Cash Equivalents	\$ 19,349	\$ 174,969	\$ 41,858	\$ 45,465
Receivables:				
Intergovernmental	0	241,352	19,569	52,128
Inventory of Supplies, at Cost	0	47,985	0	0
Prepaid Items	10	926	0	0
Total Assets	<u>\$ 19,359</u>	<u>\$ 465,232</u>	<u>\$ 61,427</u>	<u>\$ 97,593</u>
Liabilities:				
Accounts Payable	\$ 341	\$ 6,242	\$ 438	\$ 285
Accrued Wages and Benefits Payable	0	15,502	0	3,351
Intergovernmental Payable	0	0	81	0
Due to Other Funds	0	325	0	0
Deferred Revenue	0	160,902	13,046	34,752
Total Liabilities	<u>341</u>	<u>182,971</u>	<u>13,565</u>	<u>38,388</u>
Fund Balances:				
Reserved for Encumbrances	0	11,292	6,717	1,895
Reserved for Prepaid Items	10	926	0	0
Reserved for Supplies Inventory	0	47,985	0	0
Undesignated/Unreserved	19,008	222,058	41,145	57,310
Total Fund Balances	<u>19,018</u>	<u>282,261</u>	<u>47,862</u>	<u>59,205</u>
Total Liabilities and Fund Balances	<u>\$ 19,359</u>	<u>\$ 465,232</u>	<u>\$ 61,427</u>	<u>\$ 97,593</u>

CITY OF TIPP CITY, OHIO

Law Enforcement	Enforcement and Education	Drug Law Enforcement	EMS Donation Trust	Police Donation Trust	Total Nonmajor Special Revenue Funds
\$ 2,279	\$ 7,591	\$ 3,719	\$ 7,315	\$ 1,333	\$ 303,878
0	50	0	0	0	313,099
0	0	0	0	0	47,985
0	0	0	0	0	936
<u>\$ 2,279</u>	<u>\$ 7,641</u>	<u>\$ 3,719</u>	<u>\$ 7,315</u>	<u>\$ 1,333</u>	<u>\$ 665,898</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,306
0	0	0	0	0	18,853
0	0	0	0	0	81
0	0	0	0	0	325
0	0	0	0	0	208,700
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>235,265</u>
0	0	0	0	0	19,904
0	0	0	0	0	936
0	0	0	0	0	47,985
2,279	7,641	3,719	7,315	1,333	361,808
<u>2,279</u>	<u>7,641</u>	<u>3,719</u>	<u>7,315</u>	<u>1,333</u>	<u>430,633</u>
<u>\$ 2,279</u>	<u>\$ 7,641</u>	<u>\$ 3,719</u>	<u>\$ 7,315</u>	<u>\$ 1,333</u>	<u>\$ 665,898</u>

CITY OF TIPP CITY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	Swimming Pool	Street Construction, Maintenance and Repair	State Highway Improvement	Municipal Road
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 432,975	\$ 35,106	\$ 88,057
Charges for Services	346,633	0	0	0
Licenses and Permits	0	255	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	4,601	17,633	0	3
Total Revenue	351,234	450,863	35,106	88,060
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Leisure Time Activities	381,342	0	0	0
Transportation	0	385,555	18,140	87,865
Capital Outlay	0	45,097	21,250	21,990
Total Expenditures	381,342	430,652	39,390	109,855
Excess (Deficiency) of Revenues Over Expenditures	(30,108)	20,211	(4,284)	(21,795)
Other Financing Sources (Uses):				
Transfers In	30,000	0	0	0
Total Other Financing Sources (Uses)	30,000	0	0	0
Net Change in Fund Balances	(108)	20,211	(4,284)	(21,795)
Fund Balances at Beginning of Year	19,126	255,976	52,146	81,000
Increase in Inventory Reserve	0	6,074	0	0
Fund Balances End of Year	\$ 19,018	\$ 282,261	\$ 47,862	\$ 59,205

CITY OF TIPP CITY, OHIO

Law Enforcement	Enforcement and Education	Drug Law Enforcement	FEMA Grant	EMS Donation Trust	Police Donation Trust	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 16,435	\$ 0	\$ 0	\$ 572,573
0	0	0	0	0	0	346,633
0	0	0	0	0	0	255
0	857	0	0	0	0	857
1,364	0	0	0	3,000	50	26,651
<u>1,364</u>	<u>857</u>	<u>0</u>	<u>16,435</u>	<u>3,000</u>	<u>50</u>	<u>946,969</u>
192	0	0	0	0	0	192
0	0	0	0	0	0	381,342
0	0	0	16,435	0	0	507,995
0	0	0	0	7,646	0	95,983
<u>192</u>	<u>0</u>	<u>0</u>	<u>16,435</u>	<u>7,646</u>	<u>0</u>	<u>985,512</u>
1,172	857	0	0	(4,646)	50	(38,543)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,000</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,000</u>
1,172	857	0	0	(4,646)	50	(8,543)
1,107	6,784	3,719	0	11,961	1,283	433,102
0	0	0	0	0	0	6,074
<u>\$ 2,279</u>	<u>\$ 7,641</u>	<u>\$ 3,719</u>	<u>\$ 0</u>	<u>\$ 7,315</u>	<u>\$ 1,333</u>	<u>\$ 430,633</u>

CITY OF TIPP CITY, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005**

	<u>Parks Capital Improvement</u>	<u>Donn Davis Way Construction</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 126,222	\$ 74,465	\$ 200,687
Receivables:			
Taxes	189,565	0	189,565
Intergovernmental	90,000	0	90,000
Total Assets	<u>\$ 405,787</u>	<u>\$ 74,465</u>	<u>\$ 480,252</u>
Liabilities:			
Accounts Payable	\$ 712	\$ 0	\$ 712
Deferred Revenue	89,886	0	89,886
Total Liabilities	<u>90,598</u>	<u>0</u>	<u>90,598</u>
Fund Balances:			
Reserved for Encumbrances	71,025	0	71,025
Undesignated/Unreserved	244,164	74,465	318,629
Total Fund Balances	<u>315,189</u>	<u>74,465</u>	<u>389,654</u>
Total Liabilities and Fund Balances	<u>\$ 405,787</u>	<u>\$ 74,465</u>	<u>\$ 480,252</u>

CITY OF TIPP CITY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

	Police Facilities Construction	Parks Capital Improvement	Donn Davis Way Construction	OPWC Grant	Total Nonmajor Capital Project Funds
Revenues:					
Taxes	\$ 0	\$ 752,488	\$ 0	\$ 0	\$ 752,488
Intergovernmental Revenues	0	90,000	0	553,885	643,885
All Other Revenue	0	9,705	0	0	9,705
Total Revenue	0	852,193	0	553,885	1,406,078
Expenditures:					
Current:					
Transportation	0	0	11,604	0	11,604
Capital Outlay	0	428,374	1,506	553,885	983,765
Total Expenditures	0	428,374	13,110	553,885	995,369
Excess (Deficiency) of Revenues Over Expenditures	0	423,819	(13,110)	0	410,709
Other Financing Sources (Uses):					
Transfers Out	(8,258)	(646,914)	(106,397)	0	(761,569)
Total Other Financing Sources (Uses)	(8,258)	(646,914)	(106,397)	0	(761,569)
Net Change in Fund Balances	(8,258)	(223,095)	(119,507)	0	(350,860)
Fund Balances at Beginning of Year	8,258	538,284	193,972	0	740,514
Fund Balances End of Year	\$ 0	\$ 315,189	\$ 74,465	\$ 0	\$ 389,654

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,677,982	\$ 2,677,982	\$ 2,736,565	\$ 58,583
Intergovernmental Revenues	1,210,833	1,384,833	1,378,928	(5,905)
Charges for Services	451,433	468,033	499,685	31,652
Licenses and Permits	69,010	87,010	100,093	13,083
Investment Earnings	220,000	330,000	363,487	33,487
Special Assessments	8,500	4,500	5,068	568
Fines and Forfeitures	16,500	16,200	16,616	416
All Other Revenues	117,760	125,760	141,820	16,060
Total Revenues	4,772,018	5,094,318	5,242,262	147,944
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,684,745	1,661,745	1,628,558	33,187
Travel and Training	19,215	19,215	16,635	2,580
Materials and Supplies	48,537	63,537	61,136	2,401
Contractual Services	96,688	106,688	96,154	10,534
Total Police	1,849,185	1,851,185	1,802,483	48,702
Fire:				
Personal Services	84,217	82,817	80,907	1,910
Travel and Training	4,000	4,000	1,776	2,224
Materials and Supplies	4,500	4,600	3,866	734
Contractual Services	48,358	47,858	47,462	396
Total Fire	141,075	139,275	134,011	5,264
Emergency Medical Services:				
Personal Services	571,593	560,793	534,419	26,374
Travel and Training	13,555	13,555	5,886	7,669
Materials and Supplies	18,544	21,144	18,185	2,959
Contractual Services	79,972	88,872	81,256	7,616
Total Emergency Medical Services	683,664	684,364	639,746	44,618
Total Security of Persons and Property	2,673,924	2,674,824	2,576,240	98,584

(Continued)

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Leisure Time Activities:				
Parks:				
Personal Services	295,077	289,877	284,662	5,215
Travel and Training	750	750	547	203
Materials and Supplies	56,659	61,659	50,634	11,025
Contractual Services	71,296	69,696	60,014	9,682
Total Parks	<u>423,782</u>	<u>421,982</u>	<u>395,857</u>	<u>26,125</u>
Recreation:				
Contractual Services	17,500	17,500	15,500	2,000
Total Recreation	<u>17,500</u>	<u>17,500</u>	<u>15,500</u>	<u>2,000</u>
Total Leisure Time Activities	<u>441,282</u>	<u>439,482</u>	<u>411,357</u>	<u>28,125</u>
Community Environment:				
Planning:				
Personal Services	194,313	192,813	190,948	1,865
Travel and Training	6,416	6,816	6,526	290
Materials and Supplies	3,950	3,950	2,897	1,053
Contractual Services	25,071	26,171	23,648	2,523
Total Community Environment	<u>229,750</u>	<u>229,750</u>	<u>224,019</u>	<u>5,731</u>
Basic Utility Services:				
Utility Billing:				
Personal Services	169,773	169,773	163,522	6,251
Travel and Training	13,400	13,300	12,265	1,035
Materials and Supplies	26,777	26,777	24,529	2,248
Contractual Services	8,230	8,330	7,354	976
Total Basic Utility Services	<u>218,180</u>	<u>218,180</u>	<u>207,670</u>	<u>10,510</u>
General Government:				
City Council:				
Personal Services	99,365	99,065	93,938	5,127
Travel and Training	5,000	5,300	4,984	316
Materials and Supplies	3,800	3,500	2,829	671
Contractual Services	8,464	8,764	7,707	1,057
Total City Council	<u>116,629</u>	<u>116,629</u>	<u>109,458</u>	<u>7,171</u>
Commissions:				
Personal Services	15,676	15,676	15,486	190
Travel and Training	2,000	1,900	1,056	844
Materials and Supplies	5,300	4,800	4,252	548
Contractual Services	56,944	57,644	54,984	2,660
Total Commissions	<u>79,920</u>	<u>80,020</u>	<u>75,778</u>	<u>4,242</u>

(Continued)

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Administration:				
Personal Services	185,931	187,036	186,279	757
Travel and Training	3,000	3,950	3,891	59
Materials and Supplies	1,866	1,201	981	220
Contractual Services	3,605	3,815	3,536	279
Total Administration	194,402	196,002	194,687	1,315
Buildings and Grounds:				
Personal Services	75,097	72,797	71,380	1,417
Travel and Training	500	500	65	435
Materials and Supplies	11,274	10,874	10,041	833
Contractual Services	106,180	108,980	104,115	4,865
Total Buildings and Grounds	193,051	193,151	185,601	7,550
Finance - Accounting:				
Personal Services	165,000	165,000	159,861	5,139
Travel and Training	3,655	3,655	3,218	437
Materials and Supplies	3,135	3,135	2,980	155
Contractual Services	17,225	17,225	11,377	5,848
Total Finance - Accounting	189,015	189,015	177,436	11,579
Finance - Income Tax:				
Personal Services	135,556	135,256	129,531	5,725
Travel and Training	3,850	3,750	3,305	445
Materials and Supplies	7,688	7,788	6,448	1,340
Contractual Services	9,907	10,307	9,384	923
Income Tax Refunds	70,400	70,400	62,125	8,275
Total Finance - Income Tax	227,401	227,501	210,793	16,708
Legal:				
Personal Services	55,646	55,646	54,023	1,623
Travel and Training	400	400	0	400
Materials and Supplies	300	300	0	300
Contractual Services	32,108	32,108	16,039	16,069
Total Legal	88,454	88,454	70,062	18,392
Engineering:				
Personal Services	159,099	160,499	154,689	5,810
Travel and Training	2,500	2,500	613	1,887
Materials and Supplies	3,510	4,710	4,400	310
Contractual Services	77,170	88,670	77,317	11,353
Total Engineering	242,279	256,379	237,019	19,360

(Continued)

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Administrative:				
Personal Services	1,000	1,000	0	1,000
Materials and Supplies	30,000	500	0	500
Contractual Services	228,129	243,229	212,118	31,111
Other Expenditures	2,247	4,047	322	3,725
Total General Administrative	261,376	248,776	212,440	36,336
Total General Government	1,592,527	1,595,927	1,473,274	122,653
Capital Outlay:				
Police	10,345	8,345	5,917	2,428
Fire	27,829	29,629	29,604	25
Emergency Medical Services	3,800	3,100	3,042	58
Parks	11,245	13,045	12,100	945
Planning	1,000	1,000	200	800
Utility Billing	5,975	5,975	5,703	272
City Council	500	500	0	500
Commissions	3,000	2,900	2,740	160
Administration	400	0	0	0
Buildings and Grounds	3,407	3,307	3,216	91
Finance - Accounting	3,200	3,200	2,824	376
Finance - Income Tax	2,300	2,200	1,980	220
Engineering	1,664	1,964	1,953	11
General Administrative	3,698	121,298	121,183	115
Total Capital Outlay	78,363	196,463	190,462	6,001
Total Expenditures	5,234,026	5,354,626	5,083,022	271,604
Excess (Deficiency) of Revenues Over (Under) Expenditures	(462,008)	(260,308)	159,240	419,548
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	1,500	100	176	76
Transfers In	649,661	649,661	642,325	(7,336)
Transfers Out	(400,000)	(530,000)	(530,000)	0
Advances In	0	20,000	20,000	0
Advances Out	0	(20,000)	(20,000)	0
Total Other Financing Sources (Uses)	251,161	119,761	112,501	(7,260)
Net Change in Fund Balance	(210,847)	(140,547)	271,741	412,288
Fund Balance at Beginning of Year	2,409,250	2,409,250	2,409,250	0
Prior Year Encumbrances	188,745	188,745	188,745	0
Fund Balance at End of Year	\$ 2,387,148	\$ 2,457,448	\$ 2,869,736	\$ 412,288

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Debt Service Fund
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	\$ 73,654	\$ 73,653	\$ (1)
Total Revenues	<u>73,654</u>	<u>73,653</u>	<u>(1)</u>
Expenditures:			
General Government:			
Contractual Services	3,789	3,507	282
Debt Service:			
Principal Retirement	35,000	35,000	0
Interest and Fiscal Charges	<u>34,865</u>	<u>34,865</u>	<u>0</u>
Total Expenditures	<u>73,654</u>	<u>73,372</u>	<u>282</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	281	281
Fund Balance at Beginning of Year	<u>306</u>	<u>306</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 306</u>	<u>\$ 587</u>	<u>\$ 281</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CAPITAL IMPROVEMENT RESERVE FUND			
Revenues:			
Taxes	\$ 579,302	\$ 593,999	\$ 14,697
Intergovernmental Revenues	429,998	429,998	0
Special Assessments	50,000	59,366	9,366
All Other Revenues	5,000	5,092	92
Total Revenues	<u>1,064,300</u>	<u>1,088,455</u>	<u>24,155</u>
Expenditures:			
General Government:			
Contractual Services	2,750	2,245	505
Other Expenditures	17,600	15,531	2,069
Total General Government	<u>20,350</u>	<u>17,776</u>	<u>2,574</u>
Capital Outlay	2,241,234	2,214,194	27,040
Total Expenditures	<u>2,261,584</u>	<u>2,231,970</u>	<u>29,614</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,197,284)	(1,143,515)	53,769
Other Financing Sources (Uses):			
Proceeds from the Sale of Capital Assets	5,000	8,327	3,327
Transfers In	500,000	500,000	0
Transfers Out	(395,126)	(394,953)	173
Total Other Financing Sources (Uses)	<u>109,874</u>	<u>113,374</u>	<u>3,500</u>
Net Change in Fund Balance	(1,087,410)	(1,030,141)	57,269
Fund Balance at Beginning of Year	233,863	233,863	0
Prior Year Encumbrances	1,083,906	1,083,906	0
Fund Balance at End of Year	<u>\$ 230,359</u>	<u>\$ 287,628</u>	<u>\$ 57,269</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund
For the Year Ended December 31, 2005**

25-A CONSTRUCTION FUND			Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental Revenues	\$ 1,702,580	\$ 982,665	\$ (719,915)
Total Revenues	<u>1,702,580</u>	<u>982,665</u>	<u>(719,915)</u>
Expenditures:			
Streets:			
Contractual Services	209,280	203,083	6,197
Total Streets	<u>209,280</u>	<u>203,083</u>	<u>6,197</u>
Capital Outlay	2,359,083	2,312,984	46,099
Total Expenditures	<u>2,568,363</u>	<u>2,516,067</u>	<u>52,296</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(865,783)	(1,533,402)	(667,619)
Other Financing Sources (Uses):			
General Obligation Notes Issued	750,000	750,000	0
Total Other Financing Sources (Uses)	<u>750,000</u>	<u>750,000</u>	<u>0</u>
Net Change in Fund Balance	(115,783)	(783,402)	(667,619)
Fund Balance at Beginning of Year	9,703	9,703	0
Prior Year Encumbrances	106,783	106,783	0
Fund Balance at End of Year	<u>\$ 703</u>	<u>\$ (666,916)</u>	<u>\$ (667,619)</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund
For the Year Ended December 31, 2005**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Leisure Time Activities:			
Contractual Services	<u> 31,910</u>	<u> 31,910</u>	<u> 0</u>
Total Leisure Time Activities	<u> 31,910</u>	<u> 31,910</u>	<u> 0</u>
Capital Outlay	<u> 2,485,246</u>	<u> 2,485,246</u>	<u> 0</u>
Total Expenditures	<u> 2,517,156</u>	<u> 2,517,156</u>	<u> 0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,517,156)</u>	<u>(2,517,156)</u>	<u> 0</u>
Fund Balance at Beginning of Year	248	248	0
Prior Year Encumbrances	<u> 2,517,156</u>	<u> 2,517,156</u>	<u> 0</u>
Fund Balance at End of Year	<u>\$ 248</u>	<u>\$ 248</u>	<u>\$ 0</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005**

SWIMMING POOL FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 336,000	\$ 346,633	\$ 10,633
All Other Revenues	4,000	4,601	601
Total Revenues	<u>340,000</u>	<u>351,234</u>	<u>11,234</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Materials and Supplies	48,100	46,554	1,546
Contractual Services	341,160	334,829	6,331
Total Expenditures	<u>389,260</u>	<u>381,383</u>	<u>7,877</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,260)	(30,149)	19,111
Other Financing Sources (Uses):			
Transfers In	30,000	30,000	0
Advances In	20,000	20,000	0
Advances Out	(20,000)	(20,000)	0
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Net Change in Fund Balance	(19,260)	(149)	19,111
Fund Balance at Beginning of Year	19,498	19,498	0
Fund Balance at End of Year	<u>\$ 238</u>	<u>\$ 19,349</u>	<u>\$ 19,111</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND			
Revenues:			
Intergovernmental Revenues	\$ 384,900	\$ 417,648	\$ 32,748
Licenses and Permits	200	255	55
All Other Revenues	1,800	16,588	14,788
Total Revenues	386,900	434,491	47,591
Expenditures:			
Transportation:			
Street:			
Personal Services	279,151	271,697	7,454
Travel and Training	2,000	1,137	863
Materials and Supplies	73,646	67,183	6,463
Contractual Services	73,900	60,014	13,886
Total Transportation	428,697	400,031	28,666
Capital Outlay	45,100	45,097	3
Total Expenditures	473,797	445,128	28,669
Excess (Deficiency) of Revenues Over (Under) Expenditures	(86,897)	(10,637)	76,260
Other Financing Sources (Uses):			
Proceeds from the Sale of Capital Assets	0	1,045	1,045
Total Other Financing Sources (Uses)	0	1,045	1,045
Net Change in Fund Balance	(86,897)	(9,592)	77,305
Fund Balance at Beginning of Year	147,307	147,307	0
Prior Year Encumbrances	24,036	24,036	0
Fund Balance at End of Year	\$ 84,446	\$ 161,751	\$ 77,305

CITY OF TIPP CITY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005***

STATE HIGHWAY IMPROVEMENT FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 31,208	\$ 33,864	\$ 2,656
Total Revenues	<u>31,208</u>	<u>33,864</u>	<u>2,656</u>
Expenditures:			
Transportation:			
Street:			
Materials and Supplies	14,000	12,591	1,409
Contractual Services	<u>16,100</u>	<u>11,747</u>	<u>4,353</u>
Total Street	<u>30,100</u>	<u>24,338</u>	<u>5,762</u>
Capital Outlay	<u>21,250</u>	<u>21,250</u>	<u>0</u>
Total Expenditures	<u>51,350</u>	<u>45,588</u>	<u>5,762</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,142)	(11,724)	8,418
Fund Balance at Beginning of Year	45,865	45,865	0
Prior Year Encumbrances	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 26,723</u>	<u>\$ 35,141</u>	<u>\$ 8,418</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 105,000	\$ 104,766	\$ (234)
All Other Revenues	0	3	3
Total Revenues	105,000	104,769	(231)
Expenditures:			
Transportation:			
Street:			
Personal Services	58,870	58,340	530
Materials and Supplies	32,673	27,450	5,223
Contractual Services	5,475	4,245	1,230
Total Street	97,018	90,035	6,983
Capital Outlay	22,050	21,990	60
Total Expenditures	119,068	112,025	7,043
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,068)	(7,256)	6,812
Fund Balance at Beginning of Year	42,189	42,189	0
Prior Year Encumbrances	8,398	8,398	0
Fund Balance at End of Year	\$ 36,519	\$ 43,331	\$ 6,812

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005**

	LAW ENFORCEMENT FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u></u>
Revenues:			
All Other Revenues	\$ 300	\$ 1,364	\$ 1,064
Total Revenues	<u>300</u>	<u>1,364</u>	<u>1,064</u>
Expenditures:			
Security of Persons and Property:			
State Grant:			
Contractual Services	<u>700</u>	<u>192</u>	<u>508</u>
Total Expenditures	<u>700</u>	<u>192</u>	<u>508</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(400)	1,172	1,572
Fund Balance at Beginning of Year	<u>1,107</u>	<u>1,107</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 707</u>	<u>\$ 2,279</u>	<u>\$ 1,572</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 700	\$ 832	\$ 132
Total Revenues	<u>700</u>	<u>832</u>	<u>132</u>
Expenditures:			
Security of Persons and Property:			
State Grant:			
Contractual Services	<u>3,500</u>	<u>0</u>	<u>3,500</u>
Total Expenditures	<u>3,500</u>	<u>0</u>	<u>3,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,800)	832	3,632
Fund Balance at Beginning of Year	<u>6,759</u>	<u>6,759</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,959</u>	<u>\$ 7,591</u>	<u>\$ 3,632</u>

CITY OF TIPP CITY, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Security of Persons and Property:			
State Grant:			
Contractual Services	<u> 1,219</u>	<u> 0</u>	<u> 1,219</u>
Total Expenditures	<u> 1,219</u>	<u> 0</u>	<u> 1,219</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u> (1,219)</u>	<u> 0</u>	<u> 1,219</u>
Fund Balance at Beginning of Year	<u> 3,719</u>	<u> 3,719</u>	<u> 0</u>
Fund Balance at End of Year	<u><u> \$ 2,500</u></u>	<u><u> \$ 3,719</u></u>	<u><u> \$ 1,219</u></u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005**

	FEMA GRANT FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Intergovernmental Revenues	\$ 16,435	\$ 16,435	\$ 0
Total Revenues	16,435	16,435	0
Expenditures:			
Transportation:			
Grants:			
Materials and Supplies	1,678	1,678	0
Contractual Services	632	632	0
Other Expenditures	14,125	14,125	0
Total Expenditures	16,435	16,435	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 3,000	\$ 3,000	\$ 0
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>0</u>
Expenditures:			
Security of Persons and Property:			
Emergency Medic Service:			
Materials and Supplies	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Total Emergency Medic Service	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Capital Outlay	<u>8,000</u>	<u>7,646</u>	<u>354</u>
Total Expenditures	<u>11,000</u>	<u>7,646</u>	<u>3,354</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,000)	(4,646)	3,354
Fund Balance at Beginning of Year	<u>11,961</u>	<u>11,961</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,961</u>	<u>\$ 7,315</u>	<u>\$ 3,354</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Fund
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 50	\$ 50	\$ 0
Total Revenues	<u>50</u>	<u>50</u>	<u>0</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Contractual Services	<u>700</u>	<u>0</u>	<u>700</u>
Total Expenditures	<u>700</u>	<u>0</u>	<u>700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(650)	50	700
Fund Balance at Beginning of Year	<u>1,283</u>	<u>1,283</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 633</u>	<u>\$ 1,333</u>	<u>\$ 700</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Fund
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Debt Service:			
Principal Retirement	1,140,000	1,140,000	0
Interest and Fiscal Charges	344,994	344,992	2
Total Expenditures	1,484,994	1,484,992	2
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,484,994)	(1,484,992)	2
Other Financing Sources (Uses):			
Transfers In	1,484,994	1,476,403	(8,591)
Total Other Financing Sources (Uses)	1,484,994	1,476,403	(8,591)
Net Change in Fund Balance	0	(8,589)	(8,589)
Fund Balance at Beginning of Year	8,589	8,589	0
Fund Balance at End of Year	\$ 8,589	\$ 0	\$ (8,589)

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Fund
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 1	\$ 0	\$ (1)
Total Revenues	<u>1</u>	<u>0</u>	<u>(1)</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1	0	(1)
Other Financing Sources (Uses):			
Transfers Out	<u>(8,258)</u>	<u>(8,258)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(8,258)</u>	<u>(8,258)</u>	<u>0</u>
Net Change in Fund Balance	(8,257)	(8,258)	(1)
Fund Balance at Beginning of Year	<u>8,258</u>	<u>8,258</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ (1)</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Fund
For the Year Ended December 31, 2005**

PARKS CAPITAL IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 724,128	\$ 732,872	\$ 8,744
Intergovernmental Revenues	90,000	0	(90,000)
All Other Revenues	5,000	9,705	4,705
Total Revenues	<u>819,128</u>	<u>742,577</u>	<u>(76,551)</u>
Expenditures:			
Leisure Time Activities:			
Other Expenditures	22,000	19,414	2,586
Total Leisure Time Activities	<u>22,000</u>	<u>19,414</u>	<u>2,586</u>
Capital Outlay	508,771	505,816	2,955
Total Expenditures	<u>530,771</u>	<u>525,230</u>	<u>5,541</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	288,357	217,347	(71,010)
Other Financing Sources (Uses):			
Transfers Out	(648,625)	(646,914)	1,711
Total Other Financing Sources (Uses)	<u>(648,625)</u>	<u>(646,914)</u>	<u>1,711</u>
Net Change in Fund Balance	(360,268)	(429,567)	(69,299)
Fund Balance at Beginning of Year	180,281	180,281	0
Prior Year Encumbrances	303,771	303,771	0
Fund Balance at End of Year	<u>\$ 123,784</u>	<u>\$ 54,485</u>	<u>\$ (69,299)</u>

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Fund
For the Year Ended December 31, 2005**

DONN DAVIS WAY CONSTRUCTION FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Transportation:			
Contractual Services	20,450	1,924	18,526
Other Expenditures	9,680	9,680	0
Total Transportation	30,130	11,604	18,526
Capital Outlay	1,506	1,506	0
Total Expenditures	31,636	13,110	18,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,636)	(13,110)	18,526
Other Financing Sources (Uses):			
Transfers Out	(106,538)	(106,397)	141
Total Other Financing Sources (Uses)	(106,538)	(106,397)	141
Net Change in Fund Balance	(138,174)	(119,507)	18,667
Fund Balance at Beginning of Year	182,336	182,336	0
Prior Year Encumbrances	11,636	11,636	0
Fund Balance at End of Year	\$ 55,798	\$ 74,465	\$ 18,667

CITY OF TIPP CITY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Fund
For the Year Ended December 31, 2005**

	OPWC GRANT FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental Revenues	\$ 701,674	\$ 701,674	\$ 0
Total Revenues	<u>701,674</u>	<u>701,674</u>	<u>0</u>
Expenditures:			
Capital Outlay	<u>701,674</u>	<u>701,674</u>	<u>0</u>
Total Expenditures	<u>701,674</u>	<u>701,674</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	(701,674)	(701,674)	0
Prior Year Encumbrances	<u>701,674</u>	<u>701,674</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Fiduciary Funds

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Funds

Contractor Maintenance Deposit Fund

To account for monies received from contractors while they are building structures in the City. Money is returned when the structures are completed.

Health Insurance Fund

To account for monies withheld from employees wages for health insurance premiums.

Northern Area Water Authority Fund

To account for monies of the Northern Area Water Authority (NAWA). The City was the fiscal agent for NAWA until May 31, 2005. All asset and liability balances were removed from the City's books upon relinquishing these duties. NAWA is now solely reported as a joint venture with an equity interest within the Water Fund.

CITY OF TIPP CITY, OHIO

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2005**

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
<u>Contractor Maintenance Deposit Fund</u>				
Assets:				
Restricted Cash and Cash Equivalents	\$38,142	\$38,732	(\$35,750)	\$41,124
Total Assets	<u>\$38,142</u>	<u>\$38,732</u>	<u>(\$35,750)</u>	<u>\$41,124</u>
Liabilities:				
Due to Others	\$38,142	\$38,732	(\$35,750)	\$41,124
Total Liabilities	<u>\$38,142</u>	<u>\$38,732</u>	<u>(\$35,750)</u>	<u>\$41,124</u>
<u>Health Insurance Fund</u>				
Assets:				
Cash and Cash Equivalents	\$89,418	\$81,989	(\$83,252)	\$88,155
Total Assets	<u>\$89,418</u>	<u>\$81,989</u>	<u>(\$83,252)</u>	<u>\$88,155</u>
Liabilities:				
Due to Others	\$89,418	\$81,989	(\$83,252)	\$88,155
Total Liabilities	<u>\$89,418</u>	<u>\$81,989</u>	<u>(\$83,252)</u>	<u>\$88,155</u>
<u>Northern Area Water Authority Fund</u>				
Assets:				
Cash and Cash Equivalents	\$119,215	\$0	(\$119,215)	\$0
Total Assets	<u>\$119,215</u>	<u>\$0</u>	<u>(\$119,215)</u>	<u>\$0</u>
Liabilities:				
Intergovernmental Payable	\$119,215	\$0	(\$119,215)	\$0
Total Liabilities	<u>\$119,215</u>	<u>\$0</u>	<u>(\$119,215)</u>	<u>\$0</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$208,633	\$81,989	(\$202,467)	\$88,155
Restricted Cash and Cash Equivalents	38,142	38,732	(35,750)	41,124
Total Assets	<u>\$246,775</u>	<u>\$120,721</u>	<u>(\$238,217)</u>	<u>\$129,279</u>
Liabilities:				
Intergovernmental Payable	\$119,215	\$0	(\$119,215)	\$0
Due to Others	127,560	120,721	(119,002)	129,279
Total Liabilities	<u>\$246,775</u>	<u>\$120,721</u>	<u>(\$238,217)</u>	<u>\$129,279</u>



*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF TIPP CITY, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2005***

<u>Capital Assets</u>	
Land	\$11,761,322
Construction in Progress	1,383,432
Buildings	6,013,246
Improvements Other Than Buildings	4,360,784
Machinery and Equipment	5,295,145
Infrastructure	20,469,919
Total Capital Assets	<u>\$49,283,848</u>

<u>Investment in Capital Assets</u>	
General Fund	\$2,536,699
Special Revenue Funds	104,873
Capital Projects Funds	26,936,604
General Revenue Sharing	56,336
Enterprise Funds	299,714
Trust/Agency Funds	29,069
Infrastructure Prior to 2003	18,553,203
Contributions	767,350
Total Investment in Capital Assets	<u>\$49,283,848</u>

CITY OF TIPP CITY, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2005**

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>
<u>General Government:</u>			
Clerk - Council	\$0	\$0	\$0
City Manager	0	0	0
Buildings and Grounds	524,536	0	2,523,092
Finance - Administration	0	0	0
Finance - Utility Billing	0	0	0
Finance - Income Tax	0	0	0
Miscellaneous	0	0	0
Total	<u>524,536</u>	<u>0</u>	<u>2,523,092</u>
<u>Security of Persons and Property:</u>			
Police	0	0	41,902
Fire	44,655	0	524,698
EMS	0	0	1,750
Total	<u>44,655</u>	<u>0</u>	<u>568,350</u>
<u>Transportation:</u>			
Planning/Engineering	0	0	0
Street	9,580,227	1,378,432	976,111
Total	<u>9,580,227</u>	<u>1,378,432</u>	<u>976,111</u>
<u>Leisure Time Activities:</u>			
Parks	1,611,904	5,000	583,193
Pool	0	0	1,362,500
Total	<u>1,611,904</u>	<u>5,000</u>	<u>1,945,693</u>
Total Capital Assets	<u>\$11,761,322</u>	<u>\$1,383,432</u>	<u>\$6,013,246</u>

CITY OF TIPP CITY, OHIO

Improvements			
Other Than Buildings	Machinery and Equipment	Infrastructure	Total
\$0	\$8,990	\$0	\$8,990
0	17,667	0	17,667
0	422,180	0	3,469,808
0	52,144	0	52,144
0	55,034	0	55,034
0	10,992	0	10,992
0	57,159	0	57,159
<u>0</u>	<u>624,166</u>	<u>0</u>	<u>3,671,794</u>
0	671,023	0	712,925
9,934	1,325,246	0	1,904,533
0	556,469	0	558,219
<u>9,934</u>	<u>2,552,738</u>	<u>0</u>	<u>3,175,677</u>
0	92,507	0	92,507
<u>80,224</u>	<u>758,516</u>	<u>20,469,919</u>	<u>33,243,429</u>
<u>80,224</u>	<u>851,023</u>	<u>20,469,919</u>	<u>33,335,936</u>
2,144,464	582,977	0	4,927,538
<u>2,126,162</u>	<u>684,241</u>	<u>0</u>	<u>4,172,903</u>
<u>4,270,626</u>	<u>1,267,218</u>	<u>0</u>	<u>9,100,441</u>
<u><u>\$4,360,784</u></u>	<u><u>\$5,295,145</u></u>	<u><u>\$20,469,919</u></u>	<u><u>\$49,283,848</u></u>

CITY OF TIPP CITY, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For Year Ended December 31, 2005**

Function and Activity	December 31, 2004	Transfers	Additions	Deletions	December 31, 2005
General Government:					
Clerk - Council	\$4,384	\$0	\$4,606	\$0	\$8,990
City Manager	17,667	0	0	0	17,667
Buildings and Grounds	3,386,315	0	83,493	0	3,469,808
Finance - Administration	37,064	0	24,000	(8,920)	52,144
Finance - Utility Billing	44,167	0	18,787	(7,920)	55,034
Finance - Income Tax	10,992	0	0	0	10,992
Miscellaneous	46,880	20,578	0	(10,299)	57,159
Total	3,547,469	20,578	130,886	(27,139)	3,671,794
Security of Persons and Property:					
Police	661,312	(38,469)	94,907	(4,825)	712,925
Fire	1,858,297	0	110,646	(64,410)	1,904,533
EMS	538,931	0	20,713	(1,425)	558,219
Total	3,058,540	(38,469)	226,266	(70,660)	3,175,677
Transportation:					
Planning/Engineering	88,605	17,891	0	(13,989)	92,507
Street	27,299,650	0	6,909,520	(965,741)	33,243,429
Total	27,388,255	17,891	6,909,520	(979,730)	33,335,936
Leisure Time Activities:					
Parks	3,652,090	0	1,411,403	(135,955)	4,927,538
Pool	2,536,781	0	4,170,590	(2,534,468)	4,172,903
Total	27,388,255	0	5,581,993	(2,670,423)	9,100,441
Total Capital Assets	\$40,183,135	\$0	\$12,848,665	(\$3,747,952)	\$49,283,848



Statistical Section



STATISTICAL TABLES

***T**HE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE CITY.*

CITY OF TIPP CITY, OHIO

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN YEARS**

<u>Year</u>	<u>Security of Persons and Property</u>	<u>Leisure Time Activities</u>	<u>Community Environment</u>	<u>Basic Utilities</u>	<u>Trans- portation</u>	<u>General Government</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1996	\$1,262,467	\$240,203	\$120,162	\$99,321	\$324,913	\$809,177	\$44,388	\$176,836	\$3,077,467
1997	1,258,472	240,981	115,482	115,812	316,308	758,825	123,880	274,354	3,204,114
1998	1,494,252	268,929	121,268	170,865	330,822	835,009	292,749	265,016	3,778,910
1999	1,543,564	280,857	133,517	120,321	333,911	901,757	421,574	255,632	3,991,133
2000	1,912,131	314,361	113,088	129,327	342,793	892,442	115,729	246,195	4,066,066
2001	2,160,173	353,068	213,504	151,674	359,026	1,018,998	122,484	299,225	4,678,152
2002	2,307,522	405,517	188,598	160,646	410,717	1,182,566	93,968	374,309	5,123,843
2003	2,474,913	429,309	197,643	174,405	452,020	1,248,630	81,046	413,874	5,471,840
2004	2,407,475	405,875	193,591	187,468	439,863	1,206,092	48,365	545,791	5,434,520
2005	2,581,894	776,025	221,349	198,912	507,995	1,319,996	328,469	1,259,154	7,193,794

- 52 -

(1) Includes General Fund, Special Revenue Funds and Debt Service Funds
Source: Tipp City Department of Finance

CITY OF TIPP CITY, OHIO

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN YEARS**

<u>Year</u>	<u>Taxes</u>	<u>Inter-Governmental Revenues</u>	<u>Charges for Services</u>	<u>Licenses and Permits</u>	<u>Investment Earnings</u>	<u>Fines and Forfeitures</u>	<u>All Other (2)</u>	<u>Total</u>
1996	\$1,569,061	\$801,571	\$230,153	\$143,895	\$348,173	\$17,790	\$142,883	\$3,253,526
1997	1,829,546	890,691	318,556	90,281	405,443	18,924	129,090	3,682,531
1998	1,878,229	917,625	309,291	70,769	490,380	18,801	125,318	3,810,413
1999	2,029,562	1,110,545	302,952	56,338	429,144	18,207	129,482	4,076,230
2000	2,197,531	1,050,707	300,753	48,673	611,282	12,831	124,000	4,345,777
2001	2,215,268	1,570,423	329,576	39,889	632,641	19,870	134,541	4,942,208
2002	2,244,459	1,677,572	363,786	66,231	331,071	20,568	237,192	4,940,879
2003	2,381,678	1,667,222	389,278	104,085	196,466	17,943	167,569	4,924,241
2004	2,515,641	1,749,859	402,521	140,400	222,194	12,050	170,898	5,213,563
2005	2,800,940	1,942,227	875,342	100,348	365,926	17,374	232,054	6,334,211

(1) Includes General Fund, Special Revenue Funds and Debt Service Fund

(2) Includes Special Assessment Revenue

Source: Tipp City Department of Finance

CITY OF TIPP CITY, OHIO

***PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS***

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Accumulated Delinquent Taxes to Total Tax Levy</u>
1996	\$191,148	\$185,664	\$2,055	\$187,719	98.21%	\$4,121	2.16%
1997	203,009	197,422	2,587	200,009	98.52%	4,145	2.04%
1998	214,793	209,440	2,771	212,211	98.80%	3,716	1.73%
1999	243,582	237,143	3,697	240,840	98.87%	3,411	1.40%
2000	249,639	243,570	2,965	246,535	98.76%	3,790	1.52%
2001	253,638	249,303	2,988	252,291	99.47%	4,939	1.95%
2002	257,854	253,598	3,606	257,204	99.75%	6,655	2.58%
2003	266,432	260,168	4,549	264,717	99.36%	9,241	3.47%
2004	271,839	267,813	7,759	275,572	101.37%	6,308	2.32%
2005	300,182	293,547	3,680	297,227	99.02%	10,281	3.42%

Source: Miami County Auditor

CITY OF TIPP CITY, OHIO

***TANGIBLE TAX COLLECTED
LAST TEN YEARS***

<u>Collection Year</u>	<u>Current Billings</u>	<u>Current Collections</u>	<u>% Collected</u>	<u>Accumulated Outstanding Delinquent Taxes</u>
1996	\$37,114	\$35,280	95.1%	\$8,247
1997	45,771	45,713	99.9%	3,037
1998	48,366	47,488	98.2%	2,845
1999	49,382	48,565	98.3%	831
2000	61,030	60,592	99.3%	3,752
2001	71,422	70,516	98.7%	4,383
2002	69,299	68,695	99.1%	13,715
2003	71,478	68,890	96.4%	7,722
2004	68,780	68,640	99.8%	5,452
2005	73,063	73,036	100.0%	3,150

CITY OF TIPP CITY, OHIO

**ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS**

Tax Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1996	\$122,044,480	\$348,698,514	\$11,055,280	\$31,586,514	\$26,535,050	\$106,140,200	\$159,634,810	\$486,425,228	32.82%
1997	131,610,120	376,028,914	11,690,530	33,401,514	33,592,560	134,370,240	176,893,210	543,800,668	32.53%
1998	149,111,080	426,031,657	11,610,700	33,173,429	35,719,150	142,876,600	196,440,930	602,081,686	32.63%
1999	154,572,570	441,635,914	11,837,420	33,821,200	36,613,070	146,452,280	203,023,060	621,909,394	32.65%
2000	159,341,120	455,260,343	11,240,770	32,116,486	44,987,580	179,950,320	215,569,470	667,327,149	32.30%
2001	179,671,860	513,348,171	5,868,640	16,767,543	52,383,870	209,535,480	237,924,370	739,651,194	32.17%
2002	183,598,860	524,568,171	6,107,630	17,450,371	54,312,940	217,251,760	244,019,430	759,270,302	32.14%
2003	187,632,000	536,091,429	5,943,990	16,982,829	55,679,380	222,717,520	249,255,370	775,791,777	32.13%
2004	201,370,140	575,343,257	5,652,090	16,148,829	53,677,680	214,710,720	260,699,910	806,202,806	32.34%
2005	209,125,870	597,502,486	5,683,980	16,239,943	52,169,930	208,679,720	266,979,780	822,422,149	32.46%

Source: Miami County Auditor

CITY OF TIPP CITY, OHIO

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATIONS)
LAST TEN YEARS**

Collection Year	City of Tipp City		Tipp City Exempted Village School District	Miami Valley Joint Vocational School District	Miami County	Special Taxing District	Total
	General Fund	Total City					
1996	1.40	1.40	43.20	2.58	6.02	1.70	54.90
1997	1.40	1.40	43.28	2.58	7.03	1.70	55.99
1998	1.40	1.40	43.20	2.58	8.82	1.70	57.70
1999	1.40	1.40	43.20	2.58	8.82	1.70	57.70
2000	1.40	1.40	43.20	2.58	8.81	1.70	57.69
2001	1.40	1.40	47.86	2.58	8.83	1.70	62.37
2002	1.40	1.40	47.50	2.58	8.43	1.70	61.61
2003	1.40	1.40	47.30	2.58	9.13	1.70	62.11
2004	1.40	1.40	47.30	2.58	9.13	1.70	62.11
2005	1.40	1.40	47.60	2.58	9.12	1.70	62.40

Source: Miami County Auditor
Miami County Treasurer

CITY OF TIPP CITY, OHIO

***SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS***

<u>Collection Year</u>	<u>Amount Billed</u>	<u>Amount Collected</u>	<u>Percent Collected</u>
1996	\$43,391	\$41,934	96.64%
1997	59,737	51,614	86.40%
1998	42,251	33,928	80.30%
1999	43,372	33,872	78.10%
2000	48,879	47,558	97.30%
2001	44,370	39,921	89.97%
2002	36,628	30,739	83.92%
2003	32,775	27,363	83.49%
2004	44,008	37,453	85.10%
2005	124,747	117,207	93.96%

Source: Miami County Auditor

CITY OF TIPP CITY, OHIO

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2005**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$266,979,780	\$266,979,780
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	28,032,877	14,683,888
Applicable City Debt Outstanding (2)	0	0
Less: Applicable Debt Service Fund Amounts	0	0
Net Indebtedness Subject to Limitation	<u>0</u>	<u>0</u>
Legal Debt Margin	<u><u>\$28,032,877</u></u>	<u><u>\$14,683,888</u></u>

(1) Direct Debt Limitation Based Upon Section 133, The Uniform Bond Act of the Ohio Revised Code

(2) Debt issues to the extent that the legislation authorizing them contains covenants to appropriate, levy and collect municipal income taxes are not considered in the computation of the legal debt margin.

CITY OF TIPP CITY, OHIO

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS**

Tax Year		Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
1996	a	6,027	\$159,634,810	\$1,735,000	\$1,025	\$1,733,975	1.09%	\$287.70
1997	a	6,027	176,893,210	1,550,000	23	1,549,977	0.88%	257.17
1998	a	6,027	196,440,930	1,365,000	23	1,364,977	0.69%	226.48
1999	a	6,027	203,023,060	1,180,000	140	1,179,860	0.58%	195.76
2000	b	9,221	215,569,470	995,000	0	995,000	0.46%	107.91
2001	b	9,221	237,924,370	3,140,000	0	3,140,000	1.32%	340.53
2002	b	9,221	244,019,430	2,910,000	1,087	2,908,913	1.19%	315.47
2003	b	9,221	249,255,370	2,630,000	83,030	2,546,970	1.02%	276.21
2004	b	9,221	260,699,910	8,300,000	8,589	8,291,411	3.18%	899.19
2005	b	9,221	266,979,780	7,395,000	0	7,395,000	2.77%	801.97

Source:

(1) U.S. Bureau of Census of Population - (a) U.S. Bureau of Census, Federal 1990 Census

(b) U.S. Bureau of Census, Federal 2000 Census

(2) Miami County Auditor

(3) Includes all general obligation bonded debt supported by property taxes and income taxes.

Does not include General Obligation bonded debt supported by enterprise funds or special assessments.

CITY OF TIPP CITY, OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS**

Year	Debt Principal	Debt Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Tax Debt Service to General Governmental Expenditures
1996	\$95,000	\$81,836	\$176,836	\$3,077,467	5.75%
1997	185,000	89,354	274,354	3,204,114	8.56%
1998	185,000	80,076	265,076	3,778,910	7.01%
1999	185,000	70,632	255,632	3,991,133	6.40%
2000	185,000	61,195	246,195	4,066,066	6.05%
2001	180,000	119,225	299,225	4,678,152	6.40%
2002	230,000	144,309	374,309	5,123,843	7.31%
2003	280,000	133,875	413,875	5,471,840	7.56%
2004	305,000	220,451	525,451	5,434,520	9.67%
2005	905,000	277,533	1,182,533	7,193,794	16.44%

CITY OF TIPP CITY, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2005**

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Tipp City</u>	<u>Amount Applicable to City of Tipp City</u>
Direct			
City of Tipp City	\$0	0.00%	\$0
Overlapping Subdivisions			
Tipp City Exempted Village School District	20,110,000	69.19%	13,914,109
Troy City Schools	21,000,000	0.01%	2,100
Miami County	8,405,000	12.30%	<u>1,033,815</u>
		Subtotal	<u>14,950,024</u>
		Total	<u><u>\$14,950,024</u></u>

(1) Net debt outstanding includes only general obligation debt payable from property taxes. Excludes general obligation debt payable from income taxes and special assessment debt.

Source: Miami County Auditor and Fiscal Officers of Subdivisions

CITY OF TIPP CITY, OHIO

***DEMOGRAPHIC STATISTICS
LAST TEN YEARS***

<u>Year</u>		<u>City of Tipp City Population (1)</u>	<u>Miami County Population (1)</u>	<u>Unemployment Rate County Area (2)</u>	<u>School Enrollment (3)</u>
1996	a	6,027	93,182	4.2%	2,532
1997	a	6,027	93,182	4.3%	2,609
1998	a	6,027	93,182	3.6%	2,625
1999	a	6,027	93,182	3.8%	2,659
2000	b	9,221	98,868	3.3%	2,714
2001	b	9,221	98,868	4.3%	2,631
2002	b	9,221	98,868	5.5%	2,558
2003	b	9,221	98,868	6.1%	2,589
2004	b	9,221	98,868	5.6%	2,648
2005	b	9,221	98,868	5.6%	2,650

Source: (1) U.S. Bureau of Census of Population - (a) U.S. Bureau of Census, Federal 1990 Census
(b) U.S. Bureau of Census, Federal 2000 Census

(2) Ohio Department of Jobs and Family Services

(3) Tipp City Exempted Village School District, Board of Education

CITY OF TIPP CITY, OHIO

**PROPERTY VALUE AND CONSTRUCTION PERMITS
LAST TEN YEARS**

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>	
	<u>Number of Permits</u>	<u>Property Value</u>	<u>Number of Permits</u>	<u>Property Value</u>
1996	151	\$20,950,812	36	\$9,116,640
1997	167	14,724,000	24	16,620,000
1998	111	13,051,534	22	19,361,300
1999	62	6,419,669	13	2,876,000
2000	66	6,366,753	16	11,132,537
2001	56	8,965,574	27	3,570,109
2002	94	9,150,500	8	6,660,000
2003	126	13,561,468	5	354,500
2004	79	16,417,900	9	5,433,649
2005	82	17,055,400	8	22,445,500

Source: City of Tipp City Building Department

CITY OF TIPP CITY, OHIO

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX)
DECEMBER 31, 2005**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1	Meijer, Inc.	Warehouse Distribution	\$17,629,640	33.79%
2	Arbogast	Auto Dealer	4,711,140	9.03%
3	A. O. Smith Corporation	Manufacturing	3,847,540	7.38%
4	DAP Products, Inc.	Manufacturing	2,885,690	5.53%
5	Precision Strip, Inc.	Manufacturing	2,707,100	5.19%
6	Tipp Machine and Tool	Manufacturing	1,759,950	3.37%
7	Tip Top Canning Company	Food Processing	1,482,710	2.84%
8	Trophy Nut Company	Food Processing	1,355,620	2.60%
9	Odawara Automation, Inc.	Manufacturing	1,301,250	2.49%
10	Creative Extruded Products, Inc.	Manufacturing	985,410	1.90%
		Sub-Total	38,666,050	74.12%
		All Others	13,503,880	25.88%
		Total	\$52,169,930	100.00%

- S 15 -

Based on valuation of property taxes assessed in 2005
Source: Miami County Auditor

CITY OF TIPP CITY, OHIO

**PRINCIPAL TAXPAYERS (PROPERTY TAX)
DECEMBER 31, 2005**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1	Dayton Power & Light	Utility - Gas and Electric	\$4,186,710	2.00%
2	Borchers Construction	Property Management	4,109,120	1.97%
3	UVMC Nursing Care	Health Care - Nursing Home	3,089,800	1.48%
4	Meijer, Inc.	Warehouse Distribution	1,965,360	0.94%
5	Brett Properties No. 1 LLC	Property Management	1,681,400	0.80%
6	Precision Strip, Inc.	Manufacturing	1,592,300	0.76%
7	Dodd Limited Partnership	Property Management	1,521,400	0.73%
8	Spring Hill Nurseries, LLC	Wholesale/Retail	1,390,080	0.67%
9	Arborgast David	Auto Dealer	1,292,140	0.62%
10	A. O. Smith Corporation	Manufacturing	1,197,260	0.57%
		Sub-Total	22,025,570	10.54%
		All Others	187,100,300	89.46%
		Total	\$209,125,870	100.00%

Based on valuation of property taxes assessed in 2005
Source: Miami County Auditor

CITY OF TIPP CITY, OHIO

**PRINCIPAL TAXPAYERS (INCOME TAX)
DECEMBER 31, 2005**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Amount of Tax Paid</u>	<u>Percentage of Total Tax</u>
1	A. O. Smith Corporation	Manufacturing	\$290,013	6.92%
2	Meijer, Inc.	Warehouse Distribution	260,930	6.23%
3	Tipp City Exempted Village School District	Education	147,989	3.53%
4	Gardens Alive-Springhill	Agricultural-Nursery	106,834	2.55%
5	Creative Extruded Products	Manufacturing	83,781	2.00%
6	Tipp Machine and Tool	Manufacturing	65,370	1.56%
7	Wright Patterson Air Force Base	U.S. Government	64,780	1.55%
8	Arbogast	Auto Dealer	61,994	1.48%
9	DAP Products, Inc.	Manufacturing	51,727	1.24%
10	City of Tipp City	Local Government	49,535	1.18%
		Sub-Total	1,182,953	28.24%
		All Others	3,006,897	71.76%
		Total	<u>\$4,189,850</u>	<u>100.00%</u>

Source: Tipp City Department of Finance

CITY OF TIPP CITY, OHIO

**PRINCIPAL EMPLOYERS
DECEMBER 31, 2005**

	<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
1	Meijer, Inc.	Warehouse Distribution	790
2	A. O. Smith Corporation	Manufacturing	440
3	Tipp City Exempted Village School District	Education	286
4	Creative Extruded Products	Manufacturing	240
5	Springmeade Health Center	Health Care	144
6	DAP Products, Inc.	Manufacturing	140
7	Arbogast	Auto Dealer	128
8	Tipp Machine and Tool	Manufacturing	101
9	Gardens Alive-Springhill	Agricultural-Nursery	98
10	Allen Foods	Food Processing	92

- S 18 -

Source: City of Tipp City Income Tax Department

CITY OF TIPP CITY, OHIO

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2005**

- 5 19 -

	Date of City Incorporation Charter Adopted Form of Government		1960 1968 Council-Manager		
Area (square miles)	7.2	Education:		Water System:	
Facilities and Services:		Number of Schools	5	Miles of Waterlines	54
Miles of Streets	60	Number of Teachers	172	Number of Fire Hydrants	658
Number of Street Lights	1,302	Number of Students	2,650	Average Daily Consumption (mgd)	1.4
Miles of Storm Sewers	58			Maximum Daily Capacity of Plant (mgd)	3.2
Police Services:		Recreation and Culture:		Sewerage System:	
Number of Stations	1	Number of Parks	17	Miles of Sanitary Sewers	54
Number of Uniformed Police Officers	18	Park Area (acres)	434	Average Daily Treatment (mgd)	1.7
Fire/Emergency Medical Services:		Number of Ball Fields	14	Maximum Daily Capacity of Treatment (mgd)	6.4
Number of Stations	2	Number of Tennis Courts	2		
Number of Full-time Officers and Fire Personnel	1	Swimming Pools	2		
Number of Part-time Fire/EMS Personnel	47	Number of Libraries	1		

Source: Tipp City Department of Finance







City of Tipp City
Government Center
260 South Garber Drive
Tipp City, Ohio 45371



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF TIPP CITY

MIAMI COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 10, 2006**