

City of Tipp City, Ohio

Comprehensive Annual Financial Report

2004

Year Ended December 31, 2004





**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Tipp City, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2004 through December 31, 2004. 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

August 8, 2005



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2004

Prepared by the Finance Department

Richard U. Drennen
Director



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MIAMI COUNTY, OHIO

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INTRODUCTORY SECTION





CITY OF TIPP CITY

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Richard U. Drennen, Director of Finance

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May 21, 2005

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

I am pleased to present our 2004 Comprehensive Annual Financial Report (CAFR) for the City of Tipp City, Ohio. This report, for the year ended December 31, 2004, has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

Introduction

While there is no legal requirement for the preparation of this report, it represents a commitment by the City of Tipp City (the "City") to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented 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, as presented, is accurate in all material respects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City and includes all disclosures necessary to enable the reader to gain an understanding of the City's financial activity.

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 report of the independent accountants.

The Report

The Comprehensive Annual Financial Report (CAFR) is designed to assist and guide the reader in understanding its contents. The report is comprised of the following three major sections:

1. *The Introductory Section* includes this letter of transmittal which presents the City's organization, operational structure and accomplishments; an organizational chart; a list of elected officials; and the GFOA Certificate of Achievement.
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 social, economic and historical data in a multi-year format useful in identifying financial trends and data relative to the fiscal capacity of the City.

REPORTING ENTITY

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all the organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide financial benefit to or impose a financial burden on the City.

Based on the foregoing, the reporting entity of the City has no component units but includes the following services as authorized by its charter: 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, and an electric distribution 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.

THE CITY OF TIPP CITY

The City of Tipp City is a vibrant Ohio community located fourteen miles north of Dayton. 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 in the Dayton-Springfield, Ohio Metropolitan Statistical Area (MSA), comprised of the four counties of Clark, Greene, Miami and Montgomery and being the 65th largest of 261 MSA's in the United States. 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. The Dayton International Airport is served by seven commercial air carriers and eleven regional airlines. 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 Clerk. The City Manager is the City's chief administrative officer. He appoints all Department Managers of the City.

**Letter of Transmittal
For the Year Ended December 31, 2004**

ECONOMIC CONDITIONS AND OUTLOOK

The economic environment for Tipp City's business community continued to be one of relative stability during 2004. As the economy continued to expand nationwide, Tipp City managed to see a small economic increase.

During 2004, the City approved an incentive package for Transfreight LLC. which enabled them to relocate back to Tipp City in the Northgate Commerce Center. Transfreight invested \$5.8 million in a new 120,000 square foot building. They started operation in December 2004 and currently have 70 employees.

Last year the City partnered with a private developer (Logan-Berry Properties) to facilitate with the installation of the roadway and public utilities for the new Tipp Center 75, a 90 acre commercial and industrial development located on Donn Davis Way at exit 69 directly off I-75. Six commercial lots and four industrial lots, ranging from 3.4 to 33.2 acres were created. Northgate Commerce Center, located south of State Route 571 adjacent to I-75, has 50 acres in phase one and 80 acres in phase two available for industrial development. 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.

Tipp City continued to experience an increase in new residential development in 2004. 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
2001	3820	37	0.968%
2002	3857	46	1.192%
2003	3903	55	1.409%
2004	3958	77	1.406%

During 2004, several annexations were completed. The city continued to expand its parks and well field protection areas by annexing around 187 acres. One 27-acre annexation south of the Hunter's Ridge Subdivision was completed, as was a small annexation between two industrial properties.

In addition, staff worked with Captor Corporation, and negotiated an annexation/utility agreement, which will bring Captor into Tipp City within 18 months. Similar discussions have started with Norson Industries. Both of these agreements resulted from the right of way negotiations for the impending County Road 25A reconstruction project scheduled to start in 2005.

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 2004.

The voters in the City approved a 0.25% additional local income tax, which is dedicated to parks, paths, preservation, and the municipal pool in 2002. In June 2004, the City started to use this additional tax revenue by implementing the construction of a new family aquatic center at a cost of \$4,200,000. This facility is slated to open on Memorial Day of 2005.

Other recreational improvements included a contract to build eight baseball diamonds with lights at a cost of \$941,000 and the construction of a bike path thru Kyle Park at a cost of \$200,000. Both of these projects will be completed in the summer of 2005.

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.

An aggressive street improvement program was continued in 2004, with the start of the Kessler-Cowlesville Road Project at a cost of \$1.8 million. In addition to the road construction, the contract includes installation of a water line, sewer line, and storm sewer improvements. The City received a grant of \$900,000 from the State of Ohio to complete this project. Construction is to be completed in the summer of 2005.

Other road projects completed in 2004 included the Donn Davis Way Road Extension Project and the Broadway Avenue Reconstruction Project. The Donn Davis Way project was completed in the fall of 2004 at a cost of \$1.16 million. In addition to the road construction, the water line was also extended and a bike path was added. The West Broadway Project was also completed in the fall of 2004 at a cost of \$568,000. This project was partially funded by a State of Ohio OPWC Grant in the amount of \$325,000.

In April 2004, Tipp City passed an additional \$5 motor vehicle license tax to be levied starting in January 2005. This additional tax will generate an estimated \$52,000 in revenues to be used for street repairs and improvements.

Tipp City also increased its electric rates effective July 2004. This is the first time the city has raised its base rate since 1990 and the increase amounted to 5-6% to our customers. The increase generated an additional \$170,000 to our electric fund in 2004.

In July 2004, the City assumed the responsibility for refuse billing. Prior to July, the billing was done by a third party along with the trash removal and recycling. A contractor still is responsible for trash removal and recycling. The City's goal in making this change in refuse billing was to provide added convenience, better customer service, and ensure a fair and equitable collection of fees. The City feels that refuse collection rates will remain reasonable for all residents in the future because of this change.

Letter of Transmittal

For the Year Ended December 31, 2004

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

Tipp City's plans for the future are based on continuing to focus on improving our infrastructure. Two of the major projects are the County Road 25A Street Widening Project and the North Hyatt Street Reconstruction Project. These two projects will total \$2.3 million and \$668,000 respectively, and account for most of our capital spending in 2005. The city remains steadfast in its commitment to insure the maintenance of existing infrastructure and the development of adequate new infrastructure to meet future demands.

In January 2005, the city purchased property for future expansion of its west side Fire and EMS station.

The Northern Area Water Authority, a joint venture between the Cities of Tipp City and Vandalia, will start to build a water treatment plant to serve both communities in June 2005. The estimated cost of the project is \$22 million and will take 18 months to complete.

The City will need to keep abreast of all of the issues concerning electric deregulation in Ohio. Currently, under Ohio law, Municipal Electric Systems do not have to open up their systems to competition. The City has decided to take a "wait and see" approach as to whether or not we should "open" our system to allow customers to choose their own providers. This is largely due to the volatility of rates in states where deregulation has been accomplished. Tipp City purchases its electricity at the lowest possible cost through a variety of contracts, which are secured through AMP-Ohio. This approach achieves the basic intent of the deregulation bill by allowing groups of customers or communities to "aggregate" their load and purchase power on the open market. Tipp City has not generated electricity since 1974 and historically has provided its residents with substantially lower rates than neighboring utilities. As the full picture of deregulation develops, we will continue to evaluate and pursue a customer choice program when and if a clear benefit is demonstrated for Tipp City electric customers.

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.

*Letter of Transmittal
For the Year Ended December 31, 2004*

FINANCIAL INFORMATION

Accounting Controls

The City's budgetary accounting system was designed to provide reasonable assurance that:

1. The City's assets are protected against loss and unauthorized use or disposition; and
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states that internal controls should be evaluated using the following criteria:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City Administration and members of the finance office.

All internal control evaluations occur within this framework. 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

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.

Financial Condition

This is the second year the City has prepared financial statements following GASB Statement No. 34, *“Basic Financial Statements- and Management’s Discussion and Analysis- for State and Local Governments.”* GASB 34 created new basic financial statements for reports as follows:

Government- wide financial statements- these statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the city that are governmental and those that are considered business type activities.

Fund financial statements- these statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

CITY OF TIPP CITY, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Statements of budgetary comparisons- these statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this new reporting model, management is responsible for preparing a Management's Discussion and Analysis of the City. This discussion begins the financial section of this report, providing an assessment of the City finances for 2004.

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's overall loss experience has been excellent since its inception in 1988 and Tipp City's loss experience for 2004 was also favorable. The decision to join the Pool has resulted in significant savings for the City and the City expects future contributions to remain considerably lower than the cost of traditional insurance.

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.

Debt Administration

The Debt Service funds accumulate resources for the payment of principal, interest and associated administrative costs on the City's general long-term debt.

The total bonded debt of the City at December 31, 2004 was \$10,835,000 all of which was unvoted general obligation bonds. This figure includes \$930,000 in debt supported by special assessments, and \$1,605,000 supported by enterprise funds.

The ratio of property tax supported general bonded debt to assessed value and the amount of bonded debt per capita are considered to be good indicators to municipal managers, citizens and investors in general governmental debt of the City's debt position. The City's debt position as of December 31, 2004, was as follows:

Overall Legal Debt Margin	\$27,373,491
Unvoted Legal Debt Margin	\$14,338,495
General Bonded Debt to Assessed Value	3.18%
General Bonded Debt per Capita	\$899.19

The City's General Obligation bonds have been rated "A1" by Moody's Investor's Service.

***Letter of Transmittal
For the Year Ended December 31, 2004***

Cash Management

The investment program for interim funds of the City of Tipp City conforms to the requirements of Chapter 135 of the Ohio Revised Code (The Uniform Depository Act) and the City's investment policy adopted by City Council in 1994.

The primary objectives of the City's investment program, in order of priority, are as follows:

1. Safety – The safety of principal balances is the City's foremost objective and all investments are undertaken in a manner to insure the preservation of capital.
2. Liquidity – All investments should be sufficiently liquid to meet all operating requirements that can be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment portfolio should consist of securities with active resale markets, and with no measure of possible erosion in response to interest rate shifts.
3. Yield – Return on investment is of least importance compared to the safety and liquidity objectives described above. Investments are limited to low risk securities with the expectation of earning a fair return relative to the risk assumed.

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.

All eligible financial institutions must meet the requirements of the Uniform Depository Act, which requires the financial institution to maintain a full service facility located in the City of Tipp City and to have a current Agreement for Deposit of Interim Funds with the City.

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.

INDEPENDENT AUDIT

An audit team from Clark, Schaefer, Hackett and Company has completed an audit of the financial statements. Their opinion on the City's financial statements is included in the financial section of this Comprehensive Annual Financial Report.

***Letter of Transmittal
For the Year Ended December 31, 2004***

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, 2003. 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. Tipp City received its fourth consecutive Certificate of Achievement for Excellence in Financial Reporting for the year ended December 31, 2003. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

The publication of this report could not have been accomplished without the professional, efficient and dedicated services of the Finance Department staff. I appreciate all of their hard work.

I would also like to express appreciation to Scott Vagedes, our Service Director/City Engineer, and his staff for their continued effort in helping gather the infrastructure information presented in this report.

Special acknowledgement is extended to the staff of Donald J. Schonhardt and Associates, Inc. for their continued guidance in the preparation of this report.

Finally, I would especially like to thank the members of City Council, the City Manager, the Assistant City Manager, and all of the Department Heads whose support is necessary in order for the City to conform to reporting requirements established for governmental entities and to continue to maintain the sound financial position that Tipp City has enjoyed over the years.

Respectfully submitted,



Richard U. Drennen
Director of Finance

CITY OF TIPP CITY, OHIO

***List of Principal Officials
For the Year Ended December 31, 2004***

ELECTED OFFICIALS

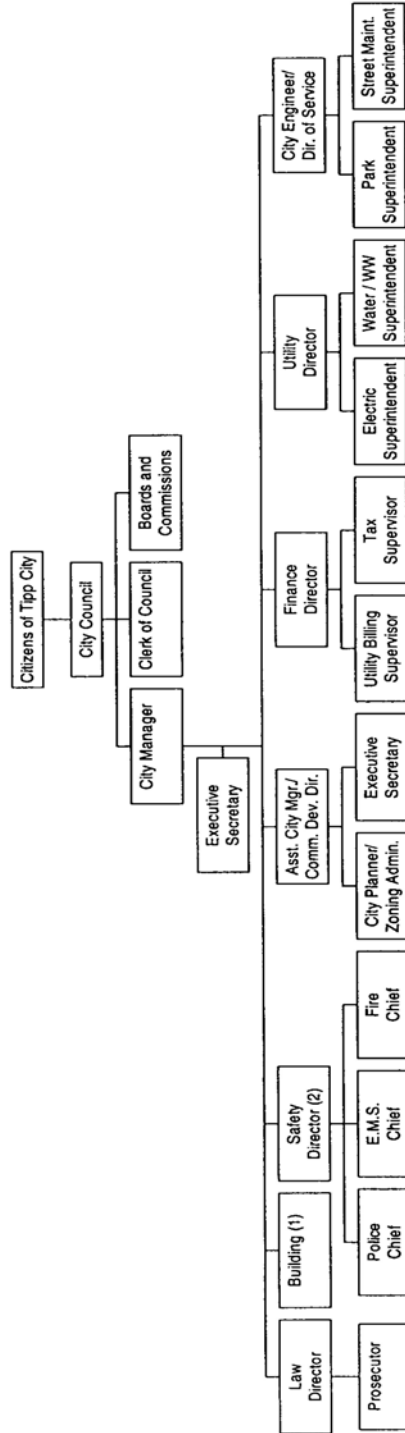
Mayor	Donald Ochs
President Of Council	Vickie Blakey
Council Members	William Beagle R. Adam Blake Keith Kingrey George H. Lovett Richard Mains, Jr.

APPOINTED OFFICIALS

City Manager	David Collinworth
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, 2004**



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, 2003

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.



Nancy L. Zjelke

President

Jeffrey R. Enos

Executive Director

FINANCIAL SECTION





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

Independent Auditor's Report

City Council
City of Tipp City
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, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tipp 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 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, 2004, 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 also have issued our report dated May 20, 2005 on our consideration of the City of Tipp 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 the Governmental Accounting Standards Board. 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 of Tipp City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual 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, Hachett & Co.

Springfield, Ohio
May 20, 2005

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, 2004. 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 2004 are as follows:

- ❑ In total, net assets increased \$5.7 million. Net assets of governmental activities increased \$3.18 million, which represents a 13.2% increase from 2003. Net assets of business-type activities increased \$2.52 million or 9.5% from 2003.
- ❑ General revenues accounted for \$5.36 million in revenue or 24% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 76% of total revenues of \$22.31 million.
- ❑ Total net assets of governmental activities increased by \$3.18 million. The single largest increase in revenues came in the form of capital grants and contributions, accounting for \$1.6 million of the increase.
- ❑ The City had \$6.3 million in expenses related to governmental activities; only \$3.82 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$5.7 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$4.7 million in revenues and \$4.4 million in expenditures. The general fund's fund balance increased \$252,238 to \$2.97 million.
- ❑ Net assets for enterprise funds increased by \$2.52 million. This increase resulted primarily from increased net income in the electric fund, \$2.06 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.

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 2004 and 2003.

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$9,466,623	\$7,282,596	\$14,478,138	\$12,829,573	\$23,944,761	\$20,112,169
Capital assets, Net	28,803,669	23,974,089	17,788,471	16,846,821	46,592,140	40,820,910
Total assets	38,270,292	31,256,685	32,266,609	29,676,394	70,536,901	60,933,079
Long-term liabilities outstanding	9,927,102	3,308,519	2,265,138	1,728,632	12,192,240	5,037,151
Other liabilities	1,075,695	3,858,705	859,452	1,329,101	1,935,147	5,187,806
Total liabilities	11,002,797	7,167,224	3,124,590	3,057,733	14,127,387	10,224,957
Net assets						
Invested in capital assets, net of related debt	22,091,073	17,531,512	15,751,376	14,824,726	37,842,449	32,356,238
Restricted	2,645,126	483,118	0	0	2,645,126	483,118
Unrestricted	2,531,296	5,087,254	13,390,643	11,793,935	15,921,939	16,881,189
Total net assets	\$27,267,495	\$24,089,461	\$29,142,019	\$26,618,661	\$56,409,514	\$50,708,122

The amount by which the city's assets exceed its liabilities is called net assets. At year-end, the City's net assets were \$56.4 million compared to \$50.7 million in 2003. Of that amount, in 2004 approximately \$37.8 million (67.1%) was invested in capital assets, net of debt related to those assets. At year-end 2003, that amount was approximately \$32.3 million (63.8%). For 2004 another \$2.6 million (4.7%) was subject to external restrictions upon its use. The remaining \$15.9 million (28.2%) in 2004 was unrestricted and available for future use. For 2003, this amount was \$16.9 million (33.2%).

CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004 compared with 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for Services and Sales	\$911,730	\$709,780	\$12,537,167	\$9,966,910	\$13,448,897	\$10,676,690
Operating Grants and Contributions	515,541	436,175	0	0	515,541	436,175
Capital Grants and Contributions	2,392,215	711,678	591,242	977,970	2,983,457	1,689,648
General revenues:						
Income Taxes	3,393,013	3,140,017	0	0	3,393,013	3,140,017
Property Taxes	330,862	265,457	0	0	330,862	265,457
Other Local Taxes	27,586	24,476	0	0	27,586	24,476
Shared Revenues	1,205,612	1,481,185	0	0	1,205,612	1,481,185
Investment Earnings	212,326	190,610	0	0	212,326	190,610
Miscellaneous	201,834	182,860	0	0	201,834	182,860
Transfers In (Out)	345,786	274,797	(345,786)	(274,797)	0	0
Total revenues	9,526,506	7,417,085	12,782,623	10,670,083	22,309,128	18,087,118
Program Expenses						
Security of Persons and Property	2,625,552	2,793,653	0	0	2,625,552	2,793,653
Leisure Time Activities	615,012	536,758	0	0	615,012	536,758
Community Environment	196,737	197,713	0	0	196,737	197,713
Basic Utility Services	205,980	177,799	0	0	205,980	177,799
Transportation	1,073,494	980,620	0	0	1,073,494	980,620
General Government	1,362,120	1,443,638	0	0	1,362,120	1,443,638
Interest and Fiscal Charges	269,576	163,118	0	0	269,576	163,118
Electric	0	0	8,287,261	7,870,470	8,287,261	7,870,470
Water	0	0	748,600	713,541	748,600	713,541
Sewer	0	0	986,537	986,680	986,537	986,680
Refuse	0	0	236,867	0	236,867	0
Total expenses	6,348,471	6,293,299	10,259,265	9,570,691	16,607,736	15,863,990
Total Change in Net Assets	3,178,034	1,123,736	2,523,358	1,099,392	5,701,392	2,223,128
Beginning Net Assets	24,089,461	22,965,725	26,618,661	25,519,269	50,708,122	48,484,994
Ending Net Assets	\$27,267,495	\$24,089,461	\$29,142,019	\$26,618,661	\$56,409,514	\$50,708,122

Governmental Activities

Net assets of the City's governmental activities increased by \$3,178,034. This was due primarily to an increase in capital grants and contributions related to street improvements.

CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

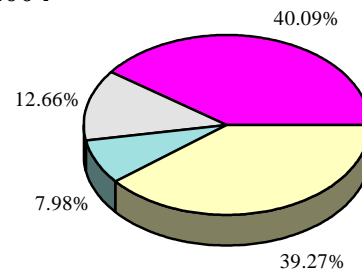
Unaudited

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 \$3,393,013 compared to \$3,140,017 in 2003, an increase of 8.0%.

Property taxes and income taxes made up 3.4% and 35.6% respectively of revenues for governmental activities for the City in fiscal year 2004. The City's reliance upon tax revenues is demonstrated by the following graph indicating 39.27% of total revenues from general tax revenues:

Revenue Sources	2004	Percent of Total
General Shared Revenues	\$1,205,612	12.66%
Program Revenues	3,819,486	40.09%
General Tax Revenues	3,741,461	39.27%
General Other	759,946	7.98%
Total Revenue	<u>\$9,526,505</u>	<u>100.00%</u>

2004



Business-Type Activities

Net assets of the business-type activities increased by \$2,523,358. Electric, water, and refuse reported operating income in 2004. The sewer fund, however, had an operating loss in 2004. Business-type revenues increased as a result of rate increases for electric and water service. The city also assumed billing responsibility for refuse removal in July 2004, which contributed to the increase in net assets. Prior to July, the company who picks up our refuse was responsible for the billing.

CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$7,867,484, which is an increase from last year's balance of \$2,911,240. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2004 and 2003:

	Fund Balance December 31, 2004	Fund Balance December 31, 2003	Increase (Decrease)
General	\$2,966,353	\$2,714,115	\$252,238
Capital Improvement Reserve	1,233,578	800,660	432,918
Swimming Pool Construction	2,372,262	(161,668)	2,533,930
Other Governmental	1,295,291	(441,867)	1,737,158
Total	\$7,867,484	\$2,911,240	\$4,956,244

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:

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	\$2,515,641	\$2,381,678	\$133,963
Intergovernmental Revenue	1,249,350	1,252,091	(2,741)
Charges for Services	390,281	360,052	30,229
Licenses, Permits and Fees	140,400	103,757	36,643
Investment Earnings	219,675	196,466	23,209
Special Assessments	5,622	2,554	3,068
Fines and Forfeitures	11,193	16,950	(5,757)
All Other Revenue	158,805	151,368	7,437
Total	\$4,690,967	\$4,464,916	\$226,051

General Fund revenues in 2004 increased approximately 5.1% compared to revenues in fiscal year 2003. Tax revenue contributed 59% of the \$226,051 increase. Tax revenues increased 5.6% compared to fiscal year 2003.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,407,434	\$2,470,033	(\$62,599)
Leisure Time Activities	402,018	362,448	39,570
Community Environment	193,591	197,643	(4,052)
Basic Utility Services	187,468	174,405	13,063
General Government	1,206,092	1,248,630	(42,538)
Capital Outlay	40,552	76,692	(36,140)
Total	\$4,437,155	\$4,529,851	(\$92,696)

CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

General Fund expenditures decreased by \$92,696 or 2% under the prior year primarily due to the fact that the City delayed filling vacancies in the police department and the community development department.

Capital Improvement Reserve Fund – The balance in this fund can fluctuate by 50% or more in a given year, as it did in 2004, 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.

Swimming Pool Fund - This fund increased from a deficit balance of \$161,668 to a balance of \$2,372,262. This is a result of a large amount of the bond proceeds remaining in the fund to be utilized to complete the City's new aquatic center.

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 2004 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$4.95 million did not significantly change over the original budget estimates of \$4.82 million. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004 the City had \$46,592,140 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$28,803,669 was related to governmental activities and \$17,788,471 to the business-type activities. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$10,196,111	\$8,686,872	\$1,509,239
Construction in Progress	3,353,124	996,669	2,356,455
Total Non-Depreciable Capital Assets	13,549,235	9,683,541	3,865,694
Buildings	4,582,591	4,612,317	(29,726)
Improvements Other Than Buildings	982,529	1,067,113	(84,584)
Machinery and Equipment	4,358,541	4,165,779	192,762
Infrastructure	16,710,239	15,179,523	1,530,716
Less: Accumulated Depreciation	(11,379,466)	(10,734,184)	(645,282)
Total Depreciable Capital Assets	15,254,434	14,290,548	963,886
Totals	\$28,803,669	\$23,974,089	\$4,829,580

CITY OF TIPP CITY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2004	2003	
Land	\$1,285,272	\$1,285,272	\$0
Construction in Progress	411,014	91,516	319,498
Total Non-Depreciable Capital Assets	1,696,286	1,376,788	319,498
Buildings	1,462,846	1,462,846	0
Improvements Other Than Buildings	22,443,126	21,271,734	1,171,392
Machinery and Equipment	2,218,243	2,126,407	91,836
Less: Accumulated Depreciation	(10,032,030)	(9,390,954)	(641,076)
Total Non-Depreciable Capital Assets	16,092,185	15,470,033	622,152
Totals	\$17,788,471	\$16,846,821	\$941,650

The largest increases in governmental activities capital assets occurred in land, construction in progress and infrastructure. The primary reason for increases in these categories relate to road construction projects (new and resurfacing), and a new aquatic center under construction. The increase in land was due to a park and recreation donation and some land donated by a developer for street improvements. The largest increases in business-type activities are related to electric line extensions, water, and sewer improvements.

As of December 31, 2004, the City has contractual commitments of \$3,990,951 for various projects. Included in these projects are the construction of the aquatic center, street improvements and park improvements. Additional information on the City's capital assets can be found in Note 10.

Debt

At December 31, 2004, the City had \$10.8 million in bonds outstanding, \$1,175,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	2004	2003
Governmental Activities:		
General Obligation Bonds	\$8,300,000	\$2,630,000
Special Assessment Bonds	930,000	0
Compensated Absences	697,102	678,519
Total Governmental Activities	9,927,102	3,308,519
Business-Type Activities:		
General Obligation Bonds	\$1,605,000	\$1,065,000
State Loan	432,095	432,095
Compensated Absences	228,043	231,537
Total Business-Type Activities	2,265,138	1,728,632
Totals	\$12,192,240	\$5,037,151

During 2004, the City issued \$7,655,000 General Obligation and Special Assessment Bonds. The proceeds of the bonds are being used to construct a new aquatic center, baseball fields, water, sewer, and street improvements.

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, 2004, 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

City Council and staff considered many factors when setting the 2005 budget. One of these factors is the economy. The local economy continues to improve as evidenced by the 8% growth in income tax revenues in 2004. Inflationary trends in the area compare favorably to national indices. Interest rates started to increase in 2004 and have continued to increase in 2005. This will have a positive effect on our investment earnings in 2005 and the future. In 2004, the City raised its local motor vehicle license fee by \$5 dollars. This revenue source will be collected in 2005 for the first time and will bring in an additional \$52,000 a year in revenue. The City also increased its ambulance run charges for 2005, which will bring in an additional \$85,000 in revenues. As a result of these factors, the General fund budget is balanced for 2005 with receipts and expenses estimated at \$5.4 million each. Income tax revenues, property tax revenues, interest earnings, and ambulance run receipts are projected to increase in 2005, but state shared revenue will continue to decline in 2005 as the state continues to try and balance their budget at the expense of local governments and school districts.

General Fund budgeted expenses of \$5.4 million include a \$400,000 transfer to the Capital Improvement Reserve Fund for street improvements. The City can reduce this transfer and forgo some of our capital improvements in 2005, if revenue projections are lower than expected. The City has not added any new programs or initiatives to the 2005 budget.

The water rates have been raised in 2005. This is the fourth year we have had an increase in our 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, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 2,964,241	\$ 1,608,993	\$ 4,573,234
Investments	4,585,251	4,174,394	8,759,645
Receivables:			
Taxes	790,069	0	790,069
Accounts	64,067	1,195,127	1,259,194
Intergovernmental	659,442	0	659,442
Interest	41,721	0	41,721
Special Assessments	196,213	2,205,418	2,401,631
Internal Balances	66,514	(66,514)	0
Inventory of Supplies at Cost	89,399	638,481	727,880
Prepaid Items	9,706	6,232	15,938
Investment in Joint Venture	0	4,591,484	4,591,484
Restricted Assets:			
Cash and Cash Equivalents	0	124,523	124,523
Non-Depreciable Capital Assets	13,549,235	1,696,286	15,245,521
Depreciable Capital Assets, Net	15,254,434	16,092,185	31,346,619
Total Assets	<u>38,270,292</u>	<u>32,266,609</u>	<u>70,536,901</u>
Liabilities:			
Accounts Payable	455,789	616,006	1,071,795
Accrued Wages and Benefits Payable	211,888	59,803	271,691
Intergovernmental Payable	8,788	53,501	62,289
Refundable Deposits	0	124,523	124,523
Deferred Revenue	373,207	0	373,207
Accrued Interest Payable	26,023	5,619	31,642
Noncurrent liabilities:			
Due within one year	1,099,923	277,005	1,376,928
Due in more than one year	8,827,179	1,988,133	10,815,312
Total Liabilities	<u>11,002,797</u>	<u>3,124,590</u>	<u>14,127,387</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	22,091,073	15,751,376	37,842,449
Restricted For:			
Capital Projects	2,159,731	0	2,159,731
Other Purposes	485,395	0	485,395
Unrestricted	2,531,296	13,390,643	15,921,939
Total Net Assets	<u>\$ 27,267,495</u>	<u>\$ 29,142,019</u>	<u>\$ 56,409,514</u>

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

**Statement of Activities
For the Year Ended December 31, 2004**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 2,625,552	\$ 395,559	\$ 0	\$ 0
Leisure Time Activities	615,012	39,183	0	15,000
Community Environment	196,737	266,545	0	0
Basic Utility Services	205,980	0	0	0
Transportation	1,073,494	210,443	515,541	2,377,215
General Government	1,362,120	0	0	0
Interest and Fiscal Charges	269,576	0	0	0
Total Governmental Activities	6,348,471	911,730	515,541	2,392,215
Business-Type Activities:				
Electric	8,287,261	10,375,880	0	244,091
Water	748,600	1,085,022	0	225,206
Sewer	986,537	818,155	0	121,945
Refuse Collection	236,867	258,110	0	0
Total Business-Type Activities	10,259,265	12,537,167	0	591,242
Totals	\$ 16,607,736	\$ 13,448,897	\$ 515,541	\$ 2,983,457

General Revenues:
Income Taxes
Property Taxes
Other Local Taxes
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
\$ (2,229,993)	\$ 0	\$ (2,229,993)
(560,829)	0	(560,829)
69,808	0	69,808
(205,980)	0	(205,980)
2,029,705	0	2,029,705
(1,362,120)	0	(1,362,120)
(269,576)	0	(269,576)
<u>(2,528,985)</u>	<u>0</u>	<u>(2,528,985)</u>
0	2,332,710	2,332,710
0	561,628	561,628
0	(46,437)	(46,437)
0	21,243	21,243
<u>0</u>	<u>2,869,144</u>	<u>2,869,144</u>
<u>(2,528,985)</u>	<u>2,869,144</u>	<u>340,159</u>
3,393,013	0	3,393,013
320,862	0	320,862
27,586	0	27,586
1,205,612	0	1,205,612
212,326	0	212,326
201,834	0	201,834
345,786	(345,786)	0
<u>5,707,019</u>	<u>(345,786)</u>	<u>5,361,233</u>
3,178,034	2,523,358	5,701,392
<u>24,089,461</u>	<u>26,618,661</u>	<u>50,708,122</u>
<u>\$ 27,267,495</u>	<u>\$ 29,142,019</u>	<u>\$ 56,409,514</u>

CITY OF TIPP CITY, OHIO

**Balance Sheet
Governmental Funds
December 31, 2004**

	General	Capital Improvement Reserve	Swimming Pool Construction	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 742,904	\$ 376,776	\$ 719,776	\$ 1,124,785	\$ 2,964,241
Investments	1,851,853	939,198	1,794,200	0	4,585,251
Receivables:					
Taxes	659,112	58,204	0	72,753	790,069
Accounts	64,067	0	0	0	64,067
Intergovernmental	257,555	0	0	401,887	659,442
Interest	41,721	0	0	0	41,721
Special Assessments	0	196,213	0	0	196,213
Due from Other Funds	69,631	0	0	0	69,631
Inventory of Supplies, at Cost	47,488	0	0	41,911	89,399
Prepaid Items	9,643	0	0	63	9,706
Total Assets	\$ 3,743,974	\$ 1,570,391	\$ 2,513,976	\$ 1,641,399	\$ 9,469,740
Liabilities:					
Accounts Payable	\$ 19,119	\$ 129,719	\$ 141,714	\$ 165,237	\$ 455,789
Accrued Wages and Benefits Payable	193,812	0	0	18,076	211,888
Intergovernmental Payable	7,985	0	0	803	8,788
Due to Other Funds	2,813	0	0	304	3,117
Deferred Revenue	553,892	207,094	0	161,688	922,674
Total Liabilities	777,621	336,813	141,714	346,108	1,602,256
Fund Balances:					
Reserved for Encumbrances	170,502	955,512	2,375,442	1,000,929	4,502,385
Reserved for Prepaid Items	9,643	0	0	63	9,706
Reserved for Supplies Inventory	47,488	0	0	41,911	89,399
Reserved for Debt Service	0	0	0	8,895	8,895
Undesignated and Unreserved in:					
General Fund	2,738,720	0	0	0	2,738,720
Special Revenue Funds	0	0	0	362,068	362,068
Capital Projects Funds	0	278,066	(3,180)	(118,575)	156,311
Total Fund Balances	2,966,353	1,233,578	2,372,262	1,295,291	7,867,484
Total Liabilities and Fund Balances	\$ 3,743,974	\$ 1,570,391	\$ 2,513,976	\$ 1,641,399	\$ 9,469,740

See accompanying notes to the basic financial statements

CITY OF TIPP CITY, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2004***

Total Governmental Fund Balances	\$ 7,867,484
<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.	28,803,669
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	549,467
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,953,125)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 27,267,495</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, 2004**

	General	Capital Improvement Reserve	Swimming Pool Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,515,641	\$ 540,842	\$ 0	\$ 668,288	\$ 3,724,771
Intergovernmental Revenues	1,249,350	353,875	0	1,367,722	2,970,947
Charges for Services	390,281	29,310	0	12,240	431,831
Licenses, Permits and Fees	140,400	0	0	0	140,400
Investment Earnings	219,675	(1,795)	(3,428)	2,519	216,971
Special Assessments	5,622	76,640	0	208,332	290,594
Fines and Forfeitures	11,193	0	0	857	12,050
All Other Revenue	158,805	6,500	0	29,981	195,286
Total Revenue	4,690,967	1,005,372	(3,428)	2,289,939	7,982,850
Expenditures:					
Current:					
Security of Persons and Property	2,407,434	0	0	41	2,407,475
Leisure Time Activities	402,018	0	112,678	3,857	518,553
Community Environment	193,591	0	0	0	193,591
Basic Utility Services	187,468	0	0	0	187,468
Transportation	0	0	0	467,201	467,201
General Government	1,206,092	1,605	0	0	1,207,697
Capital Outlay	40,552	556,429	2,552,582	1,588,106	4,737,669
Debt Service:					
Principal Retirement	0	0	0	305,000	305,000
Interest and Fiscal Charges	0	0	1,745	251,882	253,627
Total Expenditures	4,437,155	558,034	2,667,005	2,616,087	10,278,281
Excess (Deficiency) of Revenues Over Expenditures	253,812	447,338	(2,670,433)	(326,148)	(2,295,431)
Other Financing Sources (Uses):					
Bonds Issued	0	0	5,200,000	1,705,000	6,905,000
Transfers In	396,612	400,000	4,363	473,926	1,274,901
Transfers Out	(400,000)	(414,420)	0	(114,695)	(929,115)
Total Other Financing Sources (Uses)	(3,388)	(14,420)	5,204,363	2,064,231	7,250,786
Net Change in Fund Balances	250,424	432,918	2,533,930	1,738,083	4,955,355
Fund Balances at Beginning of Year	2,714,115	800,660	(161,668)	(441,867)	2,911,240
Increase (Decrease) in Inventory Reserve	1,814	0	0	(925)	889
Fund Balances End of Year	\$ 2,966,353	\$ 1,233,578	\$ 2,372,262	\$ 1,295,291	\$ 7,867,484

See accompanying notes to the basic financial statements

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, 2004***

Net Change in Fund Balances - Total Governmental Funds	\$ 4,955,355
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
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 exceeded depreciation in the current period.	4,914,342
The net effect of various miscellaneous transactions involving capital assets (i.e. disposals) is to decrease net assets.	(84,762)
Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	26,742
The issuance of long-term debt (e.g. G.O. Bonds) 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.	(6,600,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(15,949)
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.	<u>(17,694)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ 3,178,034</u></u>

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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,515,013	\$ 2,515,013	\$ 2,572,250	\$ 57,237
Intergovernmental Revenue	1,330,653	1,203,653	1,216,209	12,556
Charges for Services	350,700	362,700	384,479	21,779
Licenses and Permits	59,245	112,245	140,400	28,155
Investment Earnings	210,000	210,000	217,164	7,164
Special Assessments	3,200	3,200	5,622	2,422
Fines and Forfeitures	18,500	9,500	11,189	1,689
All Other Revenues	120,995	113,995	154,986	40,991
Total Revenues	<u>4,608,306</u>	<u>4,530,306</u>	<u>4,702,299</u>	<u>171,993</u>
Expenditures:				
Current:				
Security of Persons and Property	2,680,956	2,668,056	2,492,074	175,982
Leisure Time Activities	440,345	440,345	418,311	22,034
Community Environment	226,456	226,456	198,125	28,331
Basic Utility Services	217,381	215,881	202,324	13,557
General Government	1,573,652	1,624,802	1,411,105	213,697
Capital Outlay	54,917	95,167	72,745	22,422
Total Expenditures	<u>5,193,707</u>	<u>5,270,707</u>	<u>4,794,684</u>	<u>476,023</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(585,401)	(740,401)	(92,385)	648,016
Other Financing Sources (Uses):				
Sale of Capital Assets	1,500	1,500	5,025	3,525
Transfers In	208,940	413,355	396,612	(16,743)
Transfers Out	(600,000)	(523,000)	(400,000)	123,000
Total Other Financing Sources (Uses):	<u>(389,560)</u>	<u>(108,145)</u>	<u>1,637</u>	<u>109,782</u>
Net Change in Fund Balance	(974,961)	(848,546)	(90,748)	757,798
Fund Balance at Beginning of Year	2,326,651	2,326,651	2,326,651	0
Prior Year Encumbrances	173,347	173,347	173,347	0
Fund Balance at End of Year	<u>\$ 1,525,037</u>	<u>\$ 1,651,452</u>	<u>\$ 2,409,250</u>	<u>\$ 757,798</u>

See accompanying notes to the basic financial statements



CITY OF TIPP CITY, OHIO

**Statement of Fund Net Assets
Proprietary Funds
December 31, 2004**

	Business-type activities - Enterprise Funds				
	Electric	Water	Sewer	Refuse Collection	Total
Assets:					
Current assets:					
Cash and Cash Equivalents	\$ 642,155	\$ 661,070	\$ 246,887	\$ 58,881	\$ 1,608,993
Investments	1,911,113	1,647,861	615,420	0	4,174,394
Receivables:					
Accounts	1,005,979	91,346	97,561	241	1,195,127
Special Assessments	1,514,292	58,958	632,168	0	2,205,418
Due from Other Funds	7,625	427	720	0	8,772
Inventory of Supplies at Cost	532,940	96,124	9,417	0	638,481
Prepaid Items	1,147	4,718	367	0	6,232
Restricted Assets:					
Cash and Cash Equivalents	124,523	0	0	0	124,523
Total current assets	<u>5,739,774</u>	<u>2,560,504</u>	<u>1,602,540</u>	<u>59,122</u>	<u>9,961,940</u>
Noncurrent assets:					
Investment in Joint Venture	0	10,295	4,581,189	0	4,591,484
Capital assets:					
Non-Depreciable Capital Assets	114,311	1,345,926	236,049	0	1,696,286
Depreciable Capital Assets, net	5,978,635	5,624,229	4,489,321	0	16,092,185
Total capital assets	<u>6,092,946</u>	<u>6,970,155</u>	<u>4,725,370</u>	<u>0</u>	<u>17,788,471</u>
Total noncurrent assets	<u>6,092,946</u>	<u>6,980,450</u>	<u>9,306,559</u>	<u>0</u>	<u>22,379,955</u>
Total assets	<u>11,832,720</u>	<u>9,540,954</u>	<u>10,909,099</u>	<u>59,122</u>	<u>32,341,895</u>
Liabilities:					
Current liabilities:					
Accounts Payable	572,396	4,758	973	37,879	616,006
Accrued Wages and Benefits Payable	40,039	13,339	6,425	0	59,803
Intergovernmental Payable	1,475	1,318	50,708	0	53,501
Refundable Deposits	124,523	0	0	0	124,523
Due to Other Funds	69,631	4,504	1,151	0	75,286
Accrued Interest Payable	2,878	1,443	1,298	0	5,619
General Obligation Bonds Payable - Current	100,000	85,000	50,000	0	235,000
Compensated Absences Payable - Current	30,238	7,697	4,070	0	42,005
Total Current Liabilities	<u>941,180</u>	<u>118,059</u>	<u>114,625</u>	<u>37,879</u>	<u>1,211,743</u>
Noncurrent Liabilities:					
General Obligation Bonds Payable	595,000	300,000	475,000	0	1,370,000
State Loan Payable	0	0	432,095	0	432,095
Compensated Absences Payable	149,947	21,348	14,743	0	186,038
Total noncurrent liabilities	<u>744,947</u>	<u>321,348</u>	<u>921,838</u>	<u>0</u>	<u>1,988,133</u>
Total Liabilities	<u>1,686,127</u>	<u>439,407</u>	<u>1,036,463</u>	<u>37,879</u>	<u>3,199,876</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	5,397,946	6,585,155	3,768,275	0	15,751,376
Unrestricted	4,748,647	2,516,392	6,104,361	21,243	13,390,643
Total Net Assets	<u>\$ 10,146,593</u>	<u>\$ 9,101,547</u>	<u>\$ 9,872,636</u>	<u>\$ 21,243</u>	<u>\$ 29,142,019</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, 2004**

	Business-type activities - Enterprise Funds				Total Enterprise Funds
	Electric	Water	Sewer	Refuse Collection	
Operating Revenues:					
Charges for Services	\$ 8,697,720	\$ 918,244	\$ 939,082	\$ 258,110	\$ 10,813,156
Other Operating Revenues	1,689,159	175,519	733	0	1,865,411
Total Operating Revenues	10,386,879	1,093,763	939,815	258,110	12,678,567
Operating Expenses:					
Personal Services	824,669	260,980	122,902	0	1,208,551
Contractual Services	6,935,794	101,564	623,807	236,867	7,898,032
Materials and Supplies	134,600	48,298	15,421	0	198,319
Utilities	11,122	42,826	9,561	0	63,509
Depreciation	326,818	273,828	201,744	0	802,390
Other Operating Expenses	7,949	760	722	0	9,431
Total Operating Expenses	8,240,952	728,256	974,157	236,867	10,180,232
Operating Income (Loss)	2,145,927	365,507	(34,342)	21,243	2,498,335
Non-Operating Revenue (Expenses):					
Intergovernmental Revenue	0	1,354	0	0	1,354
Income (Loss) from Joint Venture	0	100	(118,228)	0	(118,128)
Loss on Disposal of Capital Assets	(6,387)	0	0	0	(6,387)
Interest and Fiscal Charges	(39,922)	(20,344)	(12,380)	0	(72,646)
Investment Earnings	(10,999)	(8,841)	(3,432)	0	(23,272)
Total Non-Operating Revenues (Expenses)	(57,308)	(27,731)	(134,040)	0	(219,079)
Income (Loss) Before Contributions and Transfers	2,088,619	337,776	(168,382)	21,243	2,279,256
Transfers-In	0	0	67,084	0	67,084
Transfers-Out	(277,092)	(71,515)	(64,263)	0	(412,870)
Capital Contributions	244,091	223,852	121,945	0	589,888
Change in Net Assets	2,055,618	490,113	(43,616)	21,243	2,523,358
Net Assets Beginning of Year	8,090,975	8,611,434	9,916,252	0	26,618,661
Net Assets End of Year	\$ 10,146,593	\$ 9,101,547	\$ 9,872,636	\$ 21,243	\$ 29,142,019

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, 2004**

	Business-type activities - Enterprise Funds				Total
	Electric	Water	Sewer	Refuse Collection	
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$8,647,934	\$905,465	\$937,639	\$257,869	\$10,748,907
Cash Payments for Goods and Services	(6,981,657)	(199,001)	(652,988)	(198,988)	(8,032,634)
Cash Payments to Employees	(830,101)	(278,421)	(130,449)	0	(1,238,971)
Other Operating Revenues	196,489	178,622	6,821	0	381,932
Net Cash Provided by Operating Activities	1,032,665	606,665	161,023	58,881	1,859,234
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers In From Other Funds	0	0	67,084	0	67,084
Transfers Out to Other Funds	(277,092)	(71,515)	(64,263)	0	(412,870)
Net Cash Provided (Used) for Noncapital Financing Activities	(277,092)	(71,515)	2,821	0	(345,786)
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Acquisition and Construction of Assets	(649,155)	(224,714)	(322,559)	0	(1,196,428)
Principal Paid on General Obligation Bonds	(100,000)	(85,000)	(25,000)	0	(210,000)
Principal Paid on General Obligation Notes	0	(200,000)	(325,000)	0	(525,000)
Interest Paid on All Debt	(40,410)	(20,425)	(11,362)	0	(72,197)
Cash Received from Intergovernmental Grants	0	3,729	0	0	3,729
Proceeds from the Sale of General Obligation Bonds	0	200,000	550,000	0	750,000
Net Cash Used for Capital and Related Financing Activities	(789,565)	(326,410)	(133,921)	0	(1,249,896)
<u>Cash Flows from Investing Activities:</u>					
Purchase of Investments	0	(140,697)	(18,054)	0	(158,751)
Sale of Investments	35,066	0	0	0	35,066
Net Cash Provided (Used) for Investing Activities	35,066	(140,697)	(18,054)	0	(123,685)
Net Increase in Cash and Cash Equivalents	1,074	68,043	11,869	58,881	139,867
Cash and Cash Equivalents at Beginning of Year	765,604	593,027	235,018	0	1,593,649
Cash and Cash Equivalents at End of Year	\$766,678	\$661,070	\$246,887	\$58,881	\$1,733,516
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>					
Cash and Cash Equivalents	\$642,155	\$661,070	\$246,887	\$58,881	\$1,608,993
Restricted Cash and Cash Equivalents	124,523	0	0	0	124,523
Cash and Cash Equivalents at End of Year	\$766,678	\$661,070	\$246,887	\$58,881	\$1,733,516

(Continued)

CITY OF TIPP CITY, OHIO

	Business-type activities - Enterprise Funds				Total
	Electric	Water	Sewer	Refuse Collection	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>					
Operating Income (Loss)	\$2,145,927	\$365,507	(\$34,342)	\$21,243	\$2,498,335
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation Expense	326,818	273,828	201,744	0	802,390
Adjustments to Assets and Liabilities:					
Increase in Accounts Receivable	(49,932)	(12,619)	(1,140)	(241)	(63,932)
(Increase) Decrease in Special Assessments Receivable	(1,514,292)	3,103	6,088	0	(1,505,101)
(Increase) Decrease in Inventory	40,679	3,042	(3,095)	0	40,626
(Increase) Decrease in Prepaid Items	62	(2,273)	1,749	0	(462)
Increase in Due from Other Funds	(3,406)	(160)	(303)	0	(3,869)
Increase (Decrease) in Accounts Payable	82,215	(1,809)	(53,579)	37,879	64,706
Decrease in Accrued Wages and Benefits	(19,398)	(4,739)	(2,141)	0	(26,278)
Increase in Due to Other Funds	1,690	1,805	455	0	3,950
Increase (Decrease) in Intergovernmental Payable	(6,223)	(6,601)	50,708	0	37,884
Increase in Customer Deposits Payable	14,479	0	0	0	14,479
Increase (Decrease) in Compensated Absences	14,046	(12,419)	(5,121)	0	(3,494)
Total Adjustments	<u>(1,113,262)</u>	<u>241,158</u>	<u>195,365</u>	<u>37,638</u>	<u>(639,101)</u>
Net Cash Provided by Operating Activities	<u>\$1,032,665</u>	<u>\$606,665</u>	<u>\$161,023</u>	<u>\$58,881</u>	<u>\$1,859,234</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2004, the Electric Fund had an outstanding liability of \$14,128 for the purchase of certain capital assets. During 2004 the Electric, Water and Sewer funds received capital contributions in the amounts of \$244,091, \$223,852 and \$121,945 respectively. During 2004 the fair value of investments decreased by \$10,999, \$8,841 and \$3,432 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, 2004***

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 208,633
Restricted Assets:	
Cash and Cash Equivalents	<u>38,142</u>
Total Assets	<u><u>246,775</u></u>
Liabilities:	
Intergovernmental Payable	119,215
Due to Others	<u>127,560</u>
Total Liabilities	<u><u>\$ 246,775</u></u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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, 2004 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 16 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 17 for further information.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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. NAWA is reported as an agency fund of the City and as an investment in joint venture within the Water Fund. 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.

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

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

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, 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, income taxes other than those withheld by employers 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, 2004 but which are not intended to finance 2004 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 enterprise funds and the agency funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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 object level (personal services, operations and maintenance and capital outlay) within each department. Budgetary modifications may only be made by ordinance of the City Council.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 2004.

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, department and object 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 object level. The allocation of appropriations within a fund may be modified with the approval of the City Council. During 2004, 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 Balances--Budget and Actual (Non-GAAP Budget) 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.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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)	\$250,424
Increase (Decrease):	
Accrued Revenues at December 31, 2004 received during 2005	(534,656)
Accrued Revenues at December 31, 2003 received during 2004	487,498
Accrued Expenditures at December 31, 2004 paid during 2005	223,729
Accrued Expenditures at December 31, 2003 paid during 2004	(331,464)
2003 Prepays for 2004	12,109
2004 Prepays for 2005	(9,643)
Outstanding Encumbrances	(188,745)
Budget Basis	<u>(\$90,748)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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 2004. 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, 2004.

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, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, 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, 2004**

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

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, 2004***

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 funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

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, 2004***

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.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 2 – 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:

Delinquent Income Tax Revenue	\$60,523
Delinquent Property Tax Revenue	6,308
Shared Revenues	274,409
Interest Revenue	12,014
Special Assessment Revenue	196,213
	<u>\$549,467</u>

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$9,230,000)
Accrued Interest on Long-Term Debt	(26,023)
Compensated Absences Payable	(697,102)
	<u>(\$9,953,125)</u>

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 2 – 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 exceeded depreciation in the current period:

Capital Outlay	\$5,908,796
Depreciation Expense	(994,454)
	<u>\$4,914,342</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$20,515
Decrease in Property Tax Revenue	(3,825)
Decrease in Shared Revenue	(28,706)
Increase in Special Assessment Revenue	43,403
Decrease in Interest Revenue	(4,645)
	<u>\$26,742</u>

Net amount of long-term debt issuance and bond and lease principal payments:

General Obligation Bond Principal Payment	\$305,000
Issuance of General Obligation Bond	(6,905,000)
	<u>(\$6,600,000)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$18,583)
Increase in supplies inventory	889
	<u>(\$17,694)</u>

NOTE 3 – RESTATEMENT OF NET ASSETS

Restatement of Net Assets - The net assets of governmental activities were restated to correct an error in the recognition of capital assets and accumulated depreciation related to infrastructure. The correction resulted in changes to governmental net assets reported at December 31, 2003 as follows:

	<u>Governmental Activities</u>
Governmental Net Assets at December 31, 2003 (as reported)	\$23,101,884
Adjustments:	
Infrastructure	2,218,277
Accumulated Depreciation	(1,230,700)
Governmental Net Assets at December 31, 2003 (as restated)	<u><u>\$24,089,461</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

Budgetary Deficit - The budgetary deficit at December 31, 2004 of \$701,674 in the OPWC Grant 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;
- 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;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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

- 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).

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. Based upon criteria described in GASB Statement No. 3 “*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*” collateral held in single financial collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

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

A. Deposits

At year end the carrying amount of the City's deposits was \$1,844,532, and the bank balance was \$2,144,162. Federal depository insurance covered \$100,345, of the bank balance. All remaining deposits were classified as Category 3.

B. Investments

The City's investments at December 31, 2004 were as follows:

<u>Categorized Investments</u>	Fair Value
United States Treasury Notes (Category 1)	\$7,159,645
Total Categorized Investments	7,159,645
<u>Non-Categorized Investments</u>	
STAR Ohio	4,700,000
Total Investments	<u>\$11,859,645</u>

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.

	Cash and Cash Equivalents	Investments
Per GASB Statement No. 9	\$4,944,532	\$8,759,645
Certificates of Deposit (with maturities of more than 3 months)	1,600,000	(1,600,000)
Investments:		
STAR Ohio	(4,700,000)	4,700,000
Per GASB Statement No. 3	<u>\$1,844,532</u>	<u>\$11,859,645</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, 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 revaluation was completed in 2001. 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.

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, 2004 was \$1.40 per \$1,000 of assessed value. The assessed value upon which the 2004 levy was based was \$260,699,910. This amount constitutes \$201,370,140 in real property assessed value, \$5,652,090 in public utility assessed value and \$53,677,680 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 6 – TAXES (Continued)

B. Income Tax

During 2004, 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 2004 was \$3,393,013. This represents an 8.1% increase over 2003 income tax revenue of \$3,140,017.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004 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.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2004:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$396,612	\$400,000
Capital Improvement Reserve Fund	400,000	414,420
Swimming Pool Construction Fund	4,363	0
Other Governmental Funds	473,926	114,695
Total Governmental Funds	<u>1,274,901</u>	<u>929,115</u>
Electric Fund	0	277,092
Water Fund	0	71,515
Sewer Fund	67,084	64,263
Total Proprietary Funds	<u>67,084</u>	<u>412,870</u>
Totals	<u>\$1,341,985</u>	<u>\$1,341,985</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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds for 2004:

Fund	Due From	Due To
General Fund	\$69,631	\$2,813
Other Governmental Funds	0	304
Total Governmental Funds	69,631	3,117
Electric Fund	7,625	69,631
Water Fund	427	4,504
Sewer Fund	720	1,151
Total Proprietary Funds	8,772	75,286
Totals	\$78,403	\$78,403

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

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2004:

Historical Cost:

Class	Restated December 31, 2003	Additions	Deletions	December 31, 2004
Non-depreciable Capital assets:				
Land	\$8,686,872	\$1,509,239	\$0	\$10,196,111
Costruction in Progress	996,669	3,222,376	(865,921)	3,353,124
Total Non-depreciable Capital assets	9,683,541	4,731,615	(865,921)	13,549,235
Capital assets being depreciated:				
Buildings	4,612,317	9,458	(39,184)	4,582,591
Improvements Other Than Buildings	1,067,113	212,183	(296,767)	982,529
Machinery and Equipment	4,165,779	274,589	(81,827)	4,358,541
Infrastructure	15,179,523	1,546,872	(16,156)	16,710,239
Total Depreciable Capital assets	25,024,732	2,043,102	(433,934)	26,633,900
Total Cost	\$34,708,273	\$6,774,717	(\$1,299,855)	\$40,183,135
Accumulated Depreciation:				
Class	Restated December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$954,998)	(\$92,322)	\$25,982	(\$1,021,338)
Improvements Other Than Buildings	(541,330)	(51,297)	245,846	(346,781)
Machinery and Equipment	(2,644,044)	(334,224)	63,614	(2,914,654)
Infrastructure	(6,593,812)	(516,611)	13,730	(7,096,693)
Total Depreciation	(\$10,734,184)	(\$994,454) *	\$349,172	(\$11,379,466)
Net Value:	\$23,974,089			\$28,803,669

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	(\$214,304)
Leisure Time Activities	(93,721)
Transportation	(597,991)
General Government	(88,438)
Total Depreciation Expense	(\$994,454)

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 10 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2004:

Historical Cost:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<i>Non-depreciable Capital assets:</i>				
Land	\$1,285,272	\$0	\$0	\$1,285,272
Construction in Progress	91,516	323,833	(4,335)	411,014
Total Non-depreciable Capital Assets	1,376,788	323,833	(4,335)	1,696,286
<i>Capital assets being depreciated:</i>				
Buildings	1,462,846	0	0	1,462,846
Improvements Other Than Buildings	21,271,734	1,171,392	0	22,443,126
Machinery and Equipment	2,126,407	259,537	(167,701)	2,218,243
Total Depreciable Capital assets	24,860,987	1,430,929	(167,701)	26,124,215
Total Cost	\$26,237,775	\$1,754,762	(\$172,036)	\$27,820,501

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$527,095)	(\$27,878)	\$0	(\$554,973)
Improvements Other Than Buildings	(7,603,822)	(586,773)	0	(8,190,595)
Machinery and Equipment	(1,260,037)	(187,739)	161,314	(1,286,462)
Total Depreciation	(\$9,390,954)	(\$802,390)	\$161,314	(\$10,032,030)
<i>Net Value:</i>	\$16,846,821			\$17,788,471

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, 2004***

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 and full-time firefighters, 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. 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 2004, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2004 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, 2004, 2003 and 2002 were \$363,083, \$369,497 and \$344,061, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. 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 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll which amounted to \$107,183.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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, 2003. 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 2003 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 was 369,885. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2003 is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures Ohio PERS’ health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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, 2004***

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, 2004, 2003 and 2002 were \$196,938, \$204,308 and \$194,246 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 2004 covered payroll that was used to fund postemployment health care benefits was \$78,270 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, 2003, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,662 for police and 10,474 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, 2003 were \$150,853,148, which was net of member contributions of \$17,207,506.

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 or 160 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, 2004, the City's accumulated, unpaid compensated absences amounted to \$925,145, of which \$697,102 is recorded as a liability of the Governmental Activities and \$228,043 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, 2004***

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 2004:

	Maturity Date	Balance December 31, 2003	Issued	(Retired)	Balance December 31, 2004
Capital Projects Notes Payable:					
1.25% Swimming Pool Construction	7/1/2004	\$350,000	\$0	(\$350,000)	\$0
1.25% 25A Reconstruction	7/1/2004	250,000	0	(250,000)	0
1.50% Fire Truck Improvement	5/6/2004	275,000	0	(275,000)	0
Total Capital Projects Notes Payable		875,000	0	(875,000)	0
Special Assessment Note Payable:					
1.25% Donn Davis Way Construction	5/6/2004	1,950,000	0	(1,950,000)	0
Enterprise Notes Payable:					
1.50% Water Note	5/6/2004	200,000	0	(200,000)	0
1.50% Sewer Note	5/6/2004	325,000	0	(325,000)	0
Total Enterprise Notes Payable		525,000	0	(525,000)	0
Grand Total Notes Payable		\$3,350,000	\$0	(\$3,350,000)	\$0

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 14 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2004 were as follows:

	Original Issue Amount	Maturity Year	Balance December 31, 2003	Issued	(Retired)	Balance December 31, 2004	Amount Due Within One Year
Business Type-Activities:							
General Obligation Bonds:							
7.13% Electric Improvement	\$850,000	2006	\$150,000	\$0	(\$50,000)	\$100,000	\$50,000
7.13% Water System Improvement	600,000	2008	150,000	0	(30,000)	120,000	30,000
4.6-4.625% Water Improvement Bonds	320,000	2007	120,000	0	(30,000)	90,000	30,000
4.6-4.625% Electric Improvement Bonds	995,000	2015	645,000	0	(50,000)	595,000	50,000
2.0-3.5% Woodlawn Water Bonds	200,000	2011	0	200,000	(25,000)	175,000	25,000
2.0-3.5% Woodlawn Sewer Bonds	250,000	2013	0	250,000	(25,000)	225,000	25,000
2.0-3.85% Rosewood Sewer Bonds	300,000	2016	0	300,000	0	300,000	25,000
Total General Obligation Bonds			<u>1,065,000</u>	<u>750,000</u>	<u>(210,000)</u>	<u>1,605,000</u>	<u>235,000</u>
0.00% North East Sewer Interceptor Loan	597,260	2014	432,095	0	0	432,095	0
Compensated Absences			<u>231,537</u>	<u>228,043</u>	<u>(231,537)</u>	<u>228,043</u>	<u>42,005</u>
Total Business-Type Activity Long-Term Liabilities			<u>\$1,728,632</u>	<u>\$978,043</u>	<u>(\$441,537)</u>	<u>\$2,265,138</u>	<u>\$277,005</u>
Governmental Activities:							
Unvoted General Obligation Bonds:							
7.13% Government Center Bond - I	\$560,000	2008	\$140,000	\$0	(\$30,000)	\$110,000	\$30,000
4.6-4.625% Service Center Improvement	940,000	2015	590,000	0	(50,000)	540,000	50,000
4.0-4.800% Capital Facilities Bond	2,325,000	2019	1,900,000	0	(225,000)	1,675,000	175,000
2.0-3.5% Recreation Facility Bond	5,200,000	2013	0	5,200,000	0	5,200,000	500,000
2.0-3.65% 25A Reconstruction Bond	250,000	2014	0	250,000	0	250,000	25,000
2.0-3.65% Fire Truck Equipment Bond	275,000	2014	0	275,000	0	275,000	25,000
2.0-4.15% Donn Davis Construction - City Share	250,000	2017	0	250,000	0	250,000	100,000
Total General Obligation Bonds			<u>2,630,000</u>	<u>5,975,000</u>	<u>(305,000)</u>	<u>8,300,000</u>	<u>905,000</u>
Special Assessment Bonds (with governmental commitment):							
2.0-4.5% Donn Davis Construction Bond	930,000	2024	0	930,000	0	930,000	35,000
Compensated Absences			<u>678,519</u>	<u>697,102</u>	<u>(678,519)</u>	<u>697,102</u>	<u>159,923</u>
Total Governmental Activity Long-Term Liabilities			<u>\$3,308,519</u>	<u>\$7,602,102</u>	<u>(\$983,519)</u>	<u>\$9,927,102</u>	<u>\$1,099,923</u>

The principal amount of the City's special assessment bonds outstanding at December 31, 2004, \$930,000, 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 14 - 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, 2004, follow:

Years	General Obligation Bonds		Special Assessment Bonds		Loan Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$1,140,000	\$344,991	\$35,000	\$34,865	\$0	\$0
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
2010-2014	4,000,000	552,045	205,000	140,125	432,095	0
2015-2019	715,000	82,532	245,000	99,762	0	0
2020-2024	0	0	305,000	37,035	0	0
Totals	<u>\$9,905,000</u>	<u>\$2,016,967</u>	<u>\$930,000</u>	<u>\$443,810</u>	<u>\$432,095</u>	<u>\$0</u>

NOTE 15 – CONSTRUCTION COMMITMENTS

At December 31, 2004 the City had the following contractual commitments outstanding:

Project	Remaining Contractual Commitment	Expected Date of Completion
Family Aquatic Center	\$1,366,530	Spring 2005
Kessler-Cowlesville Roadway Imp.	1,500,452	Summer 2005
Kyle Park Baseball Quads	940,998	Summer 2005
Bike Trail Construction	182,971	Fall 2005
Total Commitments	<u>\$3,990,951</u>	

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 16 - 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, 2004, 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, 2004 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>	<u>Total</u>
Beavercreek	8.170 %	Montgomery	3.550 %	
Bellbrook	0.000	Piqua	2.150	
Blue Ash	7.080	Sidney	8.670	
Centerville	0.000	Springdale	5.740	
Englewood	0.000	Tipp City	2.280	
Indian Hill	2.740	Troy	7.770	
Kettering	16.680	Vandalia	5.290	
Madeira	1.600	West Carrollton	4.670	
Mason	5.760	Wilmington	4.750	
Miamisburg	10.650	Wyoming	2.45	
Subotal	<u>52.680 %</u>	Subotal	<u>47.320 %</u>	<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, 2004***

NOTE 16 - RISK MANAGEMENT (Continued)

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

Property	\$100,000,000	per occurrence
General Liability	7,000,000	per occurrence
Boiler and Machinery	100,000,000	per occurrence
Public Officials Liability /	1,000,000	per occurrence
Police Professional Liability	6,000,000	excess \$1 Million
Automobile Liability	7,000,000	per occurrence
Flood (Property)	25,000,000	annual aggregate
Earthquake (Property)	25,000,000	annual aggregate

The deductible per occurrence is \$2,500. During 2004, MVRMA's self insured retention (SIR) limit for property was \$250,000 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, 2004.

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, 2004***

NOTE 17 - 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 \$4,581,189 which represents 19.49% of the total equity in Tri-Cities. This reflects a decrease of 1.09% below the City's equity interest of 20.58% in 2003. 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 2004, 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 of Tipp City is the fiscal agent for NAWA and is reported as an agency fund of the City. 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, 260 S. Garber Drive, Tipp City, Ohio 45371.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 18 - 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 19 – SUBSEQUENT EVENTS

On April 14, 2005 Tipp City Council authorized the City Manager to enter into a contract with John R. Jurgensen Company for the County Road 25A Construction Project at a cost of \$2,197,698. Tipp City will receive a federal grant up to \$1,792,336 to help defray the cost of this project.

On April 26, 2005 the City issued \$750,000 in one year General Obligation Notes to pay for their share of the County Road 25A Construction Project. The notes were sold to US Bank at a net interest rate of 2.85%.



*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.

Fire Donation Trust Fund

To account for revenue from contributions of gifts and donations to the fire department. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

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.

Special Assessment Bond Retirement Fund

To account for special assessments collected for the payment of special assessment bonded debt with governmental commitment.

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.

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.

West Main Street Reconstruction Fund

To account for improvements to West Main Street. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

25-A Construction Fund

To account for improvements to 25A County Road financed by note proceeds.

Donn Davis Way Construction Fund

To account for the construction of Donn Davis Way.

Fire Truck Equipment Fund

To account for the purchase of a fire truck and equipment financed by the sale of a note. (The Balance Sheet is not presented because there are no assets or liabilities at year end. This fund is not part of the City's appropriated budget, therefore no budgetary schedule is presented.)

Ohio Public Works Commission (OPWC) Grant Fund

To account for street construction projects, partially funded by state grants from the Ohio Public Works Commission.

CITY OF TIPP CITY, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 313,122	\$ 8,895	\$ 802,768	\$ 1,124,785
Receivables:				
Taxes	0	0	72,753	72,753
Intergovernmental	254,098	0	147,789	401,887
Inventory of Supplies, at Cost	41,911	0	0	41,911
Prepaid Items	63	0	0	63
Total Assets	\$ 609,194	\$ 8,895	\$ 1,023,310	\$ 1,641,399
Liabilities:				
Accounts Payable	\$ 7,325	\$ 0	\$ 157,912	\$ 165,237
Accrued Wages and Benefits Payable	18,076	0	0	18,076
Intergovernmental Payable	803	0	0	803
Due to Other Funds	304	0	0	304
Deferred Revenue	149,584	0	12,104	161,688
Total Liabilities	176,092	0	170,016	346,108
Fund Balances:				
Reserved for Encumbrances	29,060	0	971,869	1,000,929
Reserved for Prepaid Items	63	0	0	63
Reserved for Supplies Inventory	41,911	0	0	41,911
Reserved for Debt Service	0	8,895	0	8,895
Undesignated/Unreserved	362,068	0	(118,575)	243,493
Total Fund Balances	433,102	8,895	853,294	1,295,291
Total Liabilities and Fund Balances	\$ 609,194	\$ 8,895	\$ 1,023,310	\$ 1,641,399

CITY OF TIPP CITY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 0	\$ 0	\$ 668,288	\$ 668,288
Intergovernmental Revenues	500,509	0	867,213	1,367,722
Charges for Services	12,240	0	0	12,240
Investment Earnings	0	2,519	0	2,519
Special Assessments	0	0	208,332	208,332
Fines and Forfeitures	857	0	0	857
All Other Revenue	6,471	0	23,510	29,981
Total Revenue	<u>520,077</u>	<u>2,519</u>	<u>1,767,343</u>	<u>2,289,939</u>
Expenditures:				
Current:				
Security of Persons and Property	41	0	0	41
Leisure Time Activities	3,857	0	0	3,857
Transportation	439,863	0	27,338	467,201
Capital Outlay	7,813	0	1,580,293	1,588,106
Debt Service:				
Principal Retirement	0	305,000	0	305,000
Interest and Fiscal Charges	0	240,791	11,091	251,882
Total Expenditures	<u>451,574</u>	<u>545,791</u>	<u>1,618,722</u>	<u>2,616,087</u>
Excess (Deficiency) of Revenues Over Expenditures	68,503	(543,272)	148,621	(326,148)
Other Financing Sources (Uses):				
Bonds Issued	0	0	1,705,000	1,705,000
Transfers In	0	469,137	4,789	473,926
Transfers Out	0	0	(114,695)	(114,695)
Total Other Financing Sources (Uses)	<u>0</u>	<u>469,137</u>	<u>1,595,094</u>	<u>2,064,231</u>
Net Change in Fund Balances	68,503	(74,135)	1,743,715	1,738,083
Fund Balances (Deficit) at Beginning of Year	365,524	83,030	(890,421)	(441,867)
Decrease in Inventory Reserve	(925)	0	0	(925)
Fund Balances End of Year	<u>\$ 433,102</u>	<u>\$ 8,895</u>	<u>\$ 853,294</u>	<u>\$ 1,295,291</u>

CITY OF TIPP CITY, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004**

	Swimming Pool	Street Construction, Maintenance and Repair	State Highway Improvement	Municipal Road
Assets:				
Cash and Cash Equivalents	\$ 19,498	\$ 171,343	\$ 46,865	\$ 50,587
Receivables:				
Intergovernmental	0	195,369	15,843	42,861
Inventory of Supplies, at Cost	0	41,911	0	0
Prepaid Items	10	53	0	0
Total Assets	<u>\$ 19,508</u>	<u>\$ 408,676</u>	<u>\$ 62,708</u>	<u>\$ 93,448</u>
Liabilities:				
Accounts Payable	\$ 382	\$ 6,693	\$ 0	\$ 250
Accrued Wages and Benefits Payable	0	14,654	0	3,422
Intergovernmental Payable	0	803	0	0
Due to Other Funds	0	304	0	0
Deferred Revenue	0	130,246	10,562	8,776
Total Liabilities	<u>382</u>	<u>152,700</u>	<u>10,562</u>	<u>12,448</u>
Fund Balances:				
Reserved for Encumbrances	0	19,912	1,000	8,148
Reserved for Prepaid Items	10	53	0	0
Reserved for Supplies Inventory	0	41,911	0	0
Undesignated/Unreserved	19,116	194,100	51,146	72,852
Total Fund Balances	<u>19,126</u>	<u>255,976</u>	<u>52,146</u>	<u>81,000</u>
Total Liabilities and Fund Balances	<u>\$ 19,508</u>	<u>\$ 408,676</u>	<u>\$ 62,708</u>	<u>\$ 93,448</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
\$ 1,107	\$ 6,759	\$ 3,719	\$ 11,961	\$ 1,283	\$ 313,122
0	25	0	0	0	254,098
0	0	0	0	0	41,911
0	0	0	0	0	63
<u>\$ 1,107</u>	<u>\$ 6,784</u>	<u>\$ 3,719</u>	<u>\$ 11,961</u>	<u>\$ 1,283</u>	<u>\$ 609,194</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,325
0	0	0	0	0	18,076
0	0	0	0	0	803
0	0	0	0	0	304
0	0	0	0	0	149,584
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>176,092</u>
0	0	0	0	0	29,060
0	0	0	0	0	63
0	0	0	0	0	41,911
1,107	6,784	3,719	11,961	1,283	362,068
<u>1,107</u>	<u>6,784</u>	<u>3,719</u>	<u>11,961</u>	<u>1,283</u>	<u>433,102</u>
<u>\$ 1,107</u>	<u>\$ 6,784</u>	<u>\$ 3,719</u>	<u>\$ 11,961</u>	<u>\$ 1,283</u>	<u>\$ 609,194</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, 2004**

	Swimming Pool	Street Construction, Maintenance and Repair	State Highway Improvement	Municipal Road
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 384,621	\$ 31,185	\$ 84,703
Charges for Services	12,240	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	3,433	2,082	0	29
Total Revenue	<u>15,673</u>	<u>386,703</u>	<u>31,185</u>	<u>84,732</u>
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Leisure Time Activities	3,857	0	0	0
Transportation	0	344,751	25,165	69,947
Capital Outlay	0	7,807	0	0
Total Expenditures	<u>3,857</u>	<u>352,558</u>	<u>25,165</u>	<u>69,947</u>
Net Change in Fund Balances	11,816	34,145	6,020	14,785
Fund Balances at Beginning of Year	7,310	222,756	46,126	66,215
Decrease in Inventory Reserve	0	(925)	0	0
Fund Balances End of Year	<u>\$ 19,126</u>	<u>\$ 255,976</u>	<u>\$ 52,146</u>	<u>\$ 81,000</u>

CITY OF TIPP CITY, OHIO

<u>Law Enforcement</u>	<u>Enforcement and Education</u>	<u>Drug Law Enforcement</u>	<u>Fire Donation Trust</u>	<u>EMS Donation Trust</u>	<u>Police Donation Trust</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,509
0	0	0	0	0	0	12,240
0	857	0	0	0	0	857
<u>396</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>531</u>	<u>6,471</u>
<u>396</u>	<u>857</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>531</u>	<u>520,077</u>
41	0	0	0	0	0	41
0	0	0	0	0	0	3,857
0	0	0	0	0	0	439,863
<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>7,813</u>
<u>41</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>451,574</u>
355	857	0	(6)	0	531	68,503
752	5,927	3,719	6	11,961	752	365,524
0	0	0	0	0	0	(925)
<u>\$ 1,107</u>	<u>\$ 6,784</u>	<u>\$ 3,719</u>	<u>\$ 0</u>	<u>\$ 11,961</u>	<u>\$ 1,283</u>	<u>\$ 433,102</u>

CITY OF TIPP CITY, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2004**

	<u>General Bond Retirement</u>	<u>Special Assessment Bond Retirement</u>	<u>Total Nonmajor Debt Service Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 8,589	\$ 306	\$ 8,895
Total Assets	<u>\$ 8,589</u>	<u>\$ 306</u>	<u>\$ 8,895</u>
Liabilities:			
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Reserved for Debt Service	<u>8,589</u>	<u>306</u>	<u>8,895</u>
Total Fund Balances	<u>8,589</u>	<u>306</u>	<u>8,895</u>
Total Liabilities and Fund Balances	<u>\$ 8,589</u>	<u>\$ 306</u>	<u>\$ 8,895</u>

CITY OF TIPP CITY, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004***

	<u>General Bond Retirement</u>	<u>Special Assessment Bond Retirement</u>	<u>Total Nonmajor Debt Service Funds</u>
Revenues:			
Investment Earnings	\$ 2,213	\$ 306	\$ 2,519
Total Revenue	<u>2,213</u>	<u>306</u>	<u>2,519</u>
Expenditures:			
Debt Service:			
Principal Retirement	305,000	0	305,000
Interest and Fiscal Charges	220,453	20,338	240,791
Total Expenditures	<u>525,453</u>	<u>20,338</u>	<u>545,791</u>
Excess (Deficiency) of Revenues Over Expenditures	(523,240)	(20,032)	(543,272)
Other Financing Sources (Uses):			
Transfers In	448,799	20,338	469,137
Total Other Financing Sources (Uses)	<u>448,799</u>	<u>20,338</u>	<u>469,137</u>
Net Change in Fund Balances	(74,441)	306	(74,135)
Fund Balances at Beginning of Year	83,030	0	83,030
Fund Balances End of Year	<u>\$ 8,589</u>	<u>\$ 306</u>	<u>\$ 8,895</u>

CITY OF TIPP CITY, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004**

	Police Facilities Construction	Parks Capital Improvement	25-A Construction	Donn Davis Way Construction
Assets:				
Cash and Cash Equivalents	\$ 8,258	\$ 484,052	\$ 116,486	\$ 193,972
Receivables:				
Taxes	0	72,753	0	0
Intergovernmental	0	0	0	0
Total Assets	<u>\$ 8,258</u>	<u>\$ 556,805</u>	<u>\$ 116,486</u>	<u>\$ 193,972</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 6,417	\$ 3,706	\$ 0
Deferred Revenue	0	12,104	0	0
Total Liabilities	<u>0</u>	<u>18,521</u>	<u>3,706</u>	<u>0</u>
Fund Balances:				
Reserved for Encumbrances	0	303,271	103,077	11,636
Undesignated/Unreserved	8,258	235,013	9,703	182,336
Total Fund Balances	<u>8,258</u>	<u>538,284</u>	<u>112,780</u>	<u>193,972</u>
Total Liabilities and Fund Balances	<u>\$ 8,258</u>	<u>\$ 556,805</u>	<u>\$ 116,486</u>	<u>\$ 193,972</u>

CITY OF TIPP CITY, OHIO

<u>OPWC Grant</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 0	\$ 802,768
0	72,753
<u>147,789</u>	<u>147,789</u>
<u>\$ 147,789</u>	<u>\$ 1,023,310</u>
\$ 147,789	\$ 157,912
<u>0</u>	<u>12,104</u>
<u>147,789</u>	<u>170,016</u>
553,885	971,869
<u>(553,885)</u>	<u>(118,575)</u>
0	853,294
<u>\$ 147,789</u>	<u>\$ 1,023,310</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, 2004**

	Police Facilities Construction	Parks Capital Improvement	West Main Street Reconstruction	25-A Construction
Revenues:				
Taxes	\$ 0	\$ 668,288	\$ 0	\$ 0
Intergovernmental Revenues	0	15,000	0	181,098
Special Assessments	0	0	0	0
All Other Revenue	0	23,510	0	0
Total Revenue	<u>0</u>	<u>706,798</u>	<u>0</u>	<u>181,098</u>
Expenditures:				
Current:				
Transportation	0	0	0	2,520
Capital Outlay	22,457	294,894	14,552	314,553
Debt Service:				
Interest and Fiscal Charges	0	0	0	1,246
Total Expenditures	<u>22,457</u>	<u>294,894</u>	<u>14,552</u>	<u>318,319</u>
Excess (Deficiency) of Revenues Over Expenditures	(22,457)	411,904	(14,552)	(137,221)
Other Financing Sources (Uses):				
Bonds Issued	0	0	0	250,000
Transfers In	0	0	0	3,116
Transfers Out	0	(90,539)	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(90,539)</u>	<u>0</u>	<u>253,116</u>
Net Change in Fund Balances	(22,457)	321,365	(14,552)	115,895
Fund Balances at Beginning of Year	<u>30,715</u>	<u>216,919</u>	<u>14,552</u>	<u>(3,115)</u>
Fund Balances End of Year	<u>\$ 8,258</u>	<u>\$ 538,284</u>	<u>\$ 0</u>	<u>\$ 112,780</u>

CITY OF TIPP CITY, OHIO

<u>Donn Davis Way Construction</u>	<u>Fire Truck Equipment</u>	<u>OPWC Grant</u>	<u>Total Nonmajor Capital Project Funds</u>
\$ 0	\$ 0	\$ 0	\$ 668,288
0	0	671,115	867,213
208,332	0	0	208,332
0	0	0	23,510
<u>208,332</u>	<u>0</u>	<u>671,115</u>	<u>1,767,343</u>
24,818	0	0	27,338
262,722	0	671,115	1,580,293
8,409	1,436	0	11,091
<u>295,949</u>	<u>1,436</u>	<u>671,115</u>	<u>1,618,722</u>
(87,617)	(1,436)	0	148,621
1,180,000	275,000	0	1,705,000
0	1,673	0	4,789
(24,156)	0	0	(114,695)
<u>1,155,844</u>	<u>276,673</u>	<u>0</u>	<u>1,595,094</u>
1,068,227	275,237	0	1,743,715
(874,255)	(275,237)	0	(890,421)
<u>\$ 193,972</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 853,294</u>

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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,515,013	\$ 2,515,013	\$ 2,572,250	\$ 57,237
Intergovernmental Revenues	1,330,653	1,203,653	1,216,209	12,556
Charges for Services	350,700	362,700	384,479	21,779
Licenses and Permits	59,245	112,245	140,400	28,155
Investment Earnings	210,000	210,000	217,164	7,164
Special Assessments	3,200	3,200	5,622	2,422
Fines and Forfeitures	18,500	9,500	11,189	1,689
All Other Revenues	120,995	113,995	154,986	40,991
Total Revenues	<u>4,608,306</u>	<u>4,530,306</u>	<u>4,702,299</u>	<u>171,993</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,720,398	1,713,398	1,589,238	124,160
Travel and Training	19,165	19,165	17,868	1,297
Materials and Supplies	54,239	61,239	55,528	5,711
Contractual Services	95,549	95,549	76,037	19,512
Total Police	<u>1,889,351</u>	<u>1,889,351</u>	<u>1,738,671</u>	<u>150,680</u>
Fire:				
Personal Services	85,769	77,269	76,901	368
Travel and Training	4,000	2,400	2,307	93
Materials and Supplies	4,300	2,700	2,390	310
Contractual Services	43,092	41,892	41,615	277
Total Fire	<u>137,161</u>	<u>124,261</u>	<u>123,213</u>	<u>1,048</u>
Emergency Medical Services:				
Personal Services	557,274	554,674	545,246	9,428
Travel and Training	9,383	9,383	5,439	3,944
Materials and Supplies	16,557	17,057	15,403	1,654
Contractual Services	71,230	73,330	64,102	9,228
Total Emergency Medical Services	<u>654,444</u>	<u>654,444</u>	<u>630,190</u>	<u>24,254</u>
Total Security of Persons and Property	<u>2,680,956</u>	<u>2,668,056</u>	<u>2,492,074</u>	<u>175,982</u>
Leisure Time Activities:				
Parks:				
Personal Services	285,764	284,264	278,372	5,892
Travel and Training	1,068	1,068	657	411
Materials and Supplies	52,710	54,010	47,509	6,501
Contractual Services	83,303	83,503	76,273	7,230
Total Parks	<u>422,845</u>	<u>422,845</u>	<u>402,811</u>	<u>20,034</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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreation:				
Contractual Services	17,500	17,500	15,500	2,000
Total Recreation	17,500	17,500	15,500	2,000
Total Leisure Time Activities	440,345	440,345	418,311	22,034
Community Environment:				
Planning:				
Personal Services	195,005	193,205	171,682	21,523
Travel and Training	4,834	4,834	4,515	319
Materials and Supplies	3,846	3,846	2,798	1,048
Contractual Services	22,771	24,571	19,130	5,441
Total Community Environment	226,456	226,456	198,125	28,331
Basic Utility Services:				
Utility Billing:				
Personal Services	167,330	166,330	158,320	8,010
Travel and Training	13,250	12,750	11,911	839
Materials and Supplies	29,139	29,139	25,116	4,023
Contractual Services	7,662	7,662	6,977	685
Total Basic Utility Services	217,381	215,881	202,324	13,557
General Government:				
City Council:				
Personal Services	106,885	103,785	86,837	16,948
Travel and Training	5,160	7,760	7,659	101
Materials and Supplies	5,003	4,303	3,566	737
Contractual Services	10,505	11,705	9,501	2,204
Total City Council	127,553	127,553	107,563	19,990
Commissions:				
Personal Services	16,542	16,492	15,156	1,336
Travel and Training	2,000	1,800	288	1,512
Materials and Supplies	4,233	4,933	4,650	283
Contractual Services	33,455	33,005	28,126	4,879
Total Commissions	56,230	56,230	48,220	8,010
Administration:				
Personal Services	185,365	185,065	183,503	1,562
Travel and Training	3,625	3,625	2,409	1,216
Materials and Supplies	2,508	2,308	1,464	844
Contractual Services	3,671	4,171	3,824	347
Total Administration	195,169	195,169	191,200	3,969

(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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Buildings and Grounds:				
Personal Services	76,370	64,870	61,898	2,972
Travel and Training	500	500	290	210
Materials and Supplies	8,778	11,478	11,373	105
Contractual Services	107,091	109,391	102,362	7,029
Total Buildings and Grounds	192,739	186,239	175,923	10,316
Finance - Accounting:				
Personal Services	166,803	166,303	161,527	4,776
Travel and Training	3,480	2,980	1,438	1,542
Materials and Supplies	3,319	3,319	2,455	864
Contractual Services	16,733	16,233	11,373	4,860
Total Finance - Accounting	190,335	188,835	176,793	12,042
Finance - Income Tax:				
Personal Services	134,930	132,930	128,934	3,996
Travel and Training	3,850	3,750	2,884	866
Materials and Supplies	9,410	9,410	9,073	337
Contractual Services	10,314	10,414	8,878	1,536
Income Tax Refunds	64,000	64,000	63,515	485
Total Finance - Income Tax	222,504	220,504	213,284	7,220
Legal:				
Personal Services	54,069	53,909	51,994	1,915
Travel and Training	400	400	0	400
Materials and Supplies	300	300	0	300
Contractual Services	29,298	29,458	15,026	14,432
Total Legal	84,067	84,067	67,020	17,047
Engineering:				
Personal Services	136,023	137,773	134,933	2,840
Travel and Training	2,040	2,040	486	1,554
Materials and Supplies	3,008	3,458	3,199	259
Contractual Services	73,495	82,445	68,440	14,005
Total Engineering	214,566	225,716	207,058	18,658
General Administrative:				
Personal Services	1,000	1,000	0	1,000
Materials and Supplies	30,000	28,045	0	28,045
Contractual Services	257,489	309,444	223,699	85,745
Other Expenditures	2,000	2,000	345	1,655
Total General Administrative	290,489	340,489	224,044	116,445
Total General Government	1,573,652	1,624,802	1,411,105	213,697

(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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Capital Outlay:				
Police	7,745	7,745	2,293	5,452
Fire	24,255	37,155	37,111	44
Emergency Medical Services	1,900	1,900	1,454	446
Parks	7,989	7,989	7,216	773
Planning	2,050	2,050	0	2,050
Utility Billing	4,425	5,925	5,276	649
City Council	699	699	200	499
Administration	400	400	229	171
Buildings and Grounds	3,000	9,500	9,415	85
Finance - Accounting	1,400	2,900	2,700	200
Finance - Income Tax	554	2,554	1,904	650
Engineering	500	1,350	1,249	101
General Administrative	0	15,000	3,698	11,302
Total Capital Outlay	<u>54,917</u>	<u>95,167</u>	<u>72,745</u>	<u>22,422</u>
Total Expenditures	<u>5,193,707</u>	<u>5,270,707</u>	<u>4,794,684</u>	<u>476,023</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(585,401)	(740,401)	(92,385)	648,016
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	1,500	1,500	5,025	3,525
Transfers In	208,940	413,355	396,612	(16,743)
Transfers Out	(600,000)	(523,000)	(400,000)	123,000
Total Other Financing Sources (Uses)	<u>(389,560)</u>	<u>(108,145)</u>	<u>1,637</u>	<u>109,782</u>
Net Change in Fund Balance	(974,961)	(848,546)	(90,748)	757,798
Fund Balance at Beginning of Year	2,326,651	2,326,651	2,326,651	0
Prior Year Encumbrances	173,347	173,347	173,347	0
Fund Balance at End of Year	<u>\$ 1,525,037</u>	<u>\$ 1,651,452</u>	<u>\$ 2,409,250</u>	<u>\$ 757,798</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, 2004***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CAPITAL IMPROVEMENT RESERVE FUND			
Revenues:			
Taxes	\$ 542,000	\$ 555,063	\$ 13,063
Intergovernmental Revenues	511,373	520,523	9,150
Charges for Services	30,000	29,310	(690)
Special Assessments	75,000	76,640	1,640
All Other Revenues	0	5,500	5,500
Total Revenues	<u>1,158,373</u>	<u>1,187,036</u>	<u>28,663</u>
Expenditures:			
General Government:			
Contractual Services	2,600	1,605	995
Other Expenditures	16,000	15,879	121
Total General Government	<u>18,600</u>	<u>17,484</u>	<u>1,116</u>
Capital Outlay	1,721,466	1,557,433	164,033
Total Expenditures	<u>1,740,066</u>	<u>1,574,917</u>	<u>165,149</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(581,693)	(387,881)	193,812
Other Financing Sources (Uses):			
Proceeds from the Sale of Capital Assets	0	1,000	1,000
Transfers In	400,000	400,000	0
Transfers Out	(438,708)	(414,420)	24,288
Total Other Financing Sources (Uses)	<u>(38,708)</u>	<u>(13,420)</u>	<u>25,288</u>
Net Change in Fund Balance	(620,401)	(401,301)	219,100
Fund Balance at Beginning of Year	296,877	296,877	0
Prior Year Encumbrances	338,287	338,287	0
Fund Balance at End of Year	<u>\$ 14,763</u>	<u>\$ 233,863</u>	<u>\$ 219,100</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, 2004**

SWIMMING POOL CONSTRUCTION FUND			Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Leisure Time Activities:			
Contractual Services	140,400	140,298	102
Total Leisure Time Activities	140,400	140,298	102
Capital Outlay	4,929,830	4,929,684	146
Total Expenditures	5,070,230	5,069,982	248
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,070,230)	(5,069,982)	248
Other Financing Sources (Uses):			
General Obligation Bonds Issued	4,850,000	4,850,000	0
Total Other Financing Sources (Uses)	4,850,000	4,850,000	0
Net Change in Fund Balance	(220,230)	(219,982)	248
Fund Balance at Beginning of Year	30,000	30,000	0
Prior Year Encumbrances	190,230	190,230	0
Fund Balance at End of Year	\$ 0	\$ 248	\$ 248

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, 2004**

SWIMMING POOL FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 0	\$ 12,240	\$ 12,240
All Other Revenues	0	683	683
Total Revenues	<u>0</u>	<u>12,923</u>	<u>12,923</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	951	801	150
Contractual Services	3,725	3,646	79
Total Expenditures	<u>4,676</u>	<u>4,447</u>	<u>229</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,676)	8,476	13,152
Other Financing Sources (Uses):			
Proceeds from the Sale of Capital Assets	0	2,750	2,750
Total Other Financing Sources (Uses)	<u>0</u>	<u>2,750</u>	<u>2,750</u>
Net Change in Fund Balance	(4,676)	11,226	15,902
Fund Balance at Beginning of Year	8,272	8,272	0
Fund Balance at End of Year	<u>\$ 3,596</u>	<u>\$ 19,498</u>	<u>\$ 15,902</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, 2004**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND			
Revenues:			
Intergovernmental Revenues	\$ 318,800	\$ 373,496	\$ 54,696
Licenses and Permits	500	0	(500)
All Other Revenues	1,500	2,658	1,158
Total Revenues	<u>320,800</u>	<u>376,154</u>	<u>55,354</u>
Expenditures:			
Transportation:			
Street:			
Personal Services	284,335	272,945	11,390
Travel and Training	2,225	961	1,264
Materials and Supplies	56,551	51,560	4,991
Contractual Services	53,114	44,825	8,289
Total Transportation	<u>396,225</u>	<u>370,291</u>	<u>25,934</u>
Capital Outlay	11,070	10,957	113
Total Expenditures	<u>407,295</u>	<u>381,248</u>	<u>26,047</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(86,495)	(5,094)	81,401
Fund Balance at Beginning of Year	140,603	140,603	0
Prior Year Encumbrances	11,798	11,798	0
Fund Balance at End of Year	<u>\$ 65,906</u>	<u>\$ 147,307</u>	<u>\$ 81,401</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, 2004**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 25,849	\$ 30,283	\$ 4,434
Total Revenues	<u>25,849</u>	<u>30,283</u>	<u>4,434</u>
Expenditures:			
Transportation:			
Street:			
Materials and Supplies	13,455	10,927	2,528
Contractual Services	<u>16,275</u>	<u>15,913</u>	<u>362</u>
Total Expenditures	<u>29,730</u>	<u>26,840</u>	<u>2,890</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,881)	3,443	7,324
Fund Balance at Beginning of Year	41,292	41,292	0
Prior Year Encumbrances	<u>1,130</u>	<u>1,130</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 38,541</u>	<u>\$ 45,865</u>	<u>\$ 7,324</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, 2004**

	MUNICIPAL ROAD FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u></u>
Revenues:			
Intergovernmental Revenues	\$ 55,800	\$ 59,516	\$ 3,716
All Other Revenues	0	29	29
Total Revenues	<u>55,800</u>	<u>59,545</u>	<u>3,745</u>
Expenditures:			
Transportation:			
Street:			
Personal Services	51,844	50,860	984
Materials and Supplies	32,060	23,333	8,727
Contractual Services	4,366	4,241	125
Total Expenditures	<u>88,270</u>	<u>78,434</u>	<u>9,836</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,470)	(18,889)	13,581
Fund Balance at Beginning of Year	52,902	52,902	0
Prior Year Encumbrances	8,176	8,176	0
Fund Balance at End of Year	<u>\$ 28,608</u>	<u>\$ 42,189</u>	<u>\$ 13,581</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, 2004**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 300	\$ 396	\$ 96
Total Revenues	<u>300</u>	<u>396</u>	<u>96</u>
Expenditures:			
Security of Persons and Property:			
State Grant:			
Contractual Services	752	41	711
Total Expenditures	<u>752</u>	<u>41</u>	<u>711</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(452)	355	807
Fund Balance at Beginning of Year	700	700	0
Prior Year Encumbrances	52	52	0
Fund Balance at End of Year	<u>\$ 300</u>	<u>\$ 1,107</u>	<u>\$ 807</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, 2004**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 700	\$ 907	\$ 207
Total Revenues	<u>700</u>	<u>907</u>	<u>207</u>
Expenditures:			
Security of Persons and Property:			
State Grant:			
Contractual Services	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Total Expenditures	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,300)	907	3,207
Fund Balance at Beginning of Year	5,852	5,852	0
Fund Balance at End of Year	<u>\$ 3,552</u>	<u>\$ 6,759</u>	<u>\$ 3,207</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, 2004***

DRUG LAW ENFORCEMENT FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Security of Persons and Property:			
State Grant:			
Contractual Services	2,000	0	2,000
Total Expenditures	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	0	2,000
Fund Balance at Beginning of Year	3,719	3,719	0
Fund Balance at End of Year	<u>\$ 1,719</u>	<u>\$ 3,719</u>	<u>\$ 2,000</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, 2004***

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
All Other Revenues	\$ 10	\$ 0	\$ (10)
Total Revenues	<u>10</u>	<u>0</u>	<u>(10)</u>
Expenditures:			
Capital Outlay	6	6	0
Total Expenditures	<u>6</u>	<u>6</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4	(6)	(10)
Fund Balance at Beginning of Year	6	6	0
Fund Balance at End of Year	<u>\$ 10</u>	<u>\$ 0</u>	<u>\$ (10)</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, 2004***

E.M.S. DONATION TRUST FUND			Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u></u>
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Capital Outlay	11,000	0	11,000
Total Expenditures	<u>11,000</u>	<u>0</u>	<u>11,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,000)	0	11,000
Fund Balance at Beginning of Year	11,961	11,961	0
Fund Balance at End of Year	<u>\$ 961</u>	<u>\$ 11,961</u>	<u>\$ 11,000</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, 2004**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 700	\$ 531	\$ (169)
Total Revenues	<u>700</u>	<u>531</u>	<u>(169)</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Contractual Services	700	0	700
Total Expenditures	<u>700</u>	<u>0</u>	<u>700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	531	531
Fund Balance at Beginning of Year	752	752	0
Fund Balance at End of Year	<u>\$ 752</u>	<u>\$ 1,283</u>	<u>\$ 531</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, 2004***

GENERAL BOND RETIREMENT FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 0	\$ 2,213	\$ 2,213
Total Revenues	<u>0</u>	<u>2,213</u>	<u>2,213</u>
Expenditures:			
Debt Service:			
Principal Retirement	2,190,000	2,165,000	25,000
Interest and Fiscal Charges	315,130	304,922	10,208
Total Expenditures	<u>2,505,130</u>	<u>2,469,922</u>	<u>35,208</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,505,130)	(2,467,709)	37,421
Other Financing Sources (Uses):			
General Obligation Bonds Issued	1,575,000	1,575,000	0
Transfers In	855,130	818,268	(36,862)
Total Other Financing Sources (Uses)	<u>2,430,130</u>	<u>2,393,268</u>	<u>(36,862)</u>
Net Change in Fund Balance	(75,000)	(74,441)	559
Fund Balance at Beginning of Year	83,030	83,030	0
Fund Balance at End of Year	<u>\$ 8,030</u>	<u>\$ 8,589</u>	<u>\$ 559</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, 2004**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SPECIAL ASSESSMENT BOND RETIREMENT FUND			
Revenues:			
Investment Earnings	\$ 0	\$ 306	\$ 306
Total Revenues	<u>0</u>	<u>306</u>	<u>306</u>
Expenditures:			
Debt Service:			
Principal Retirement	1,700,000	1,700,000	0
Interest and Fiscal Charges	41,750	41,588	162
Total Expenditures	<u>1,741,750</u>	<u>1,741,588</u>	<u>162</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,741,750)	(1,741,282)	468
Other Financing Sources (Uses):			
Special Assessment Bonds Issued	930,000	930,000	0
Transfers In	811,750	811,588	(162)
Total Other Financing Sources (Uses)	<u>1,741,750</u>	<u>1,741,588</u>	<u>(162)</u>
Net Change in Fund Balance	0	306	306
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 306</u>	<u>\$ 306</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, 2004**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Security of Persons and Property:			
Contractual Services	771	0	771
Total Security of Persons and Property	771	0	771
Capital Outlay	28,476	22,457	6,019
Total Expenditures	29,247	22,457	6,790
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,247)	(22,457)	6,790
Fund Balance at Beginning of Year	1,467	1,467	0
Prior Year Encumbrances	29,248	29,248	0
Fund Balance at End of Year	\$ 1,468	\$ 8,258	\$ 6,790

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, 2004**

PARKS CAPITAL IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Taxes	\$ 677,500	\$ 686,065	\$ 8,565
Intergovernmental Revenues	15,000	15,000	0
All Other Revenues	20,000	23,510	3,510
Total Revenues	<u>712,500</u>	<u>724,575</u>	<u>12,075</u>
Expenditures:			
Leisure Time Activities:			
Other Expenditures	25,000	19,848	5,152
Total Leisure Time Activities	<u>25,000</u>	<u>19,848</u>	<u>5,152</u>
Capital Outlay	631,156	622,794	8,362
Total Expenditures	<u>656,156</u>	<u>642,642</u>	<u>13,514</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	56,344	81,933	25,589
Other Financing Sources (Uses):			
Transfers Out	(91,948)	(90,539)	1,409
Total Other Financing Sources (Uses)	<u>(91,948)</u>	<u>(90,539)</u>	<u>1,409</u>
Net Change in Fund Balance	(35,604)	(8,606)	26,998
Fund Balance at Beginning of Year	111,681	111,681	0
Prior Year Encumbrances	77,206	77,206	0
Fund Balance at End of Year	<u>\$ 153,283</u>	<u>\$ 180,281</u>	<u>\$ 26,998</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, 2004**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 20,827	\$ 14,553	\$ (6,274)
Total Revenues	<u>20,827</u>	<u>14,553</u>	<u>(6,274)</u>
Expenditures:			
Transportation:			
Capital Outlay	40,392	34,118	6,274
Total Expenditures	<u>40,392</u>	<u>34,118</u>	<u>6,274</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,565)	(19,565)	0
Fund Balance at Beginning of Year	(20,827)	(20,827)	0
Prior Year Encumbrances	40,392	40,392	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</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 Capital Projects Fund
For the Year Ended December 31, 2004**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 200,000	\$ 181,098	\$ (18,902)
Total Revenues	<u>200,000</u>	<u>181,098</u>	<u>(18,902)</u>
Expenditures:			
Streets:			
Contractual Services	4,000	2,520	1,480
Total Streets	<u>4,000</u>	<u>2,520</u>	<u>1,480</u>
Capital Outlay	446,000	418,875	27,125
Total Expenditures	<u>450,000</u>	<u>421,395</u>	<u>28,605</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,000)	(240,297)	9,703
Fund Balance at Beginning of Year	116,700	116,700	0
Prior Year Encumbrances	133,300	133,300	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 9,703</u>	<u>\$ 9,703</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, 2004***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	\$ 190,000	\$ 208,332	\$ 18,332
Total Revenues	<u>190,000</u>	<u>208,332</u>	<u>18,332</u>
Expenditures:			
Transportation:			
Contractual Services	39,014	25,268	13,746
Other Expenditures	9,700	9,680	20
Total Transportation	<u>48,714</u>	<u>34,948</u>	<u>13,766</u>
Capital Outlay	458,931	424,978	33,953
Total Expenditures	<u>507,645</u>	<u>459,926</u>	<u>47,719</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(317,645)	(251,594)	66,051
Other Financing Sources (Uses):			
Transfers Out	(831,254)	(818,526)	12,728
Total Other Financing Sources (Uses)	<u>(831,254)</u>	<u>(818,526)</u>	<u>12,728</u>
Net Change in Fund Balance	(1,148,899)	(1,070,120)	78,779
Fund Balance at Beginning of Year	887,014	887,014	0
Prior Year Encumbrances	365,442	365,442	0
Fund Balance at End of Year	<u>\$ 103,557</u>	<u>\$ 182,336</u>	<u>\$ 78,779</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, 2004***

	OPWC GRANT FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u></u>
Revenues:			
Intergovernmental Revenues	\$ 1,225,000	\$ 523,326	\$ (701,674)
Total Revenues	<u>1,225,000</u>	<u>523,326</u>	<u>(701,674)</u>
Expenditures:			
Capital Outlay	1,225,000	1,225,000	0
Total Expenditures	<u>1,225,000</u>	<u>1,225,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(701,674)	(701,674)
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ (701,674)</u>	<u>\$ (701,674)</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 is the fiscal agent for NAWA. NAWA is also 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, 2004**

	Balance December 31, 2003	Additions	Deductions	Balance December 31, 2004
<u>Contractor Maintenance Deposit Fund</u>				
Assets:				
Restricted Cash and Cash Equivalents	\$36,892	\$26,645	(\$25,395)	\$38,142
Total Assets	\$36,892	\$26,645	(\$25,395)	\$38,142
Liabilities:				
Due to Others	\$36,892	\$26,645	(\$25,395)	\$38,142
Total Liabilities	\$36,892	\$26,645	(\$25,395)	\$38,142
<u>Health Insurance Fund</u>				
Assets:				
Cash and Cash Equivalents	\$89,150	\$66,258	(\$65,990)	\$89,418
Total Assets	\$89,150	\$66,258	(\$65,990)	\$89,418
Liabilities:				
Due to Others	\$89,150	\$66,258	(\$65,990)	\$89,418
Total Liabilities	\$89,150	\$66,258	(\$65,990)	\$89,418
<u>Northern Area Water Authority Fund</u>				
Assets:				
Cash and Cash Equivalents	\$39,017	\$486,077	(\$405,879)	\$119,215
Total Assets	\$39,017	\$486,077	(\$405,879)	\$119,215
Liabilities:				
Intergovernmental Payable	\$39,017	\$486,077	(\$405,879)	\$119,215
Total Liabilities	\$39,017	\$486,077	(\$405,879)	\$119,215
<u>Total Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$128,167	\$552,335	(\$471,869)	\$208,633
Restricted Cash and Cash Equivalents	36,892	26,645	(25,395)	38,142
Total Assets	\$165,059	\$578,980	(\$497,264)	\$246,775
Liabilities:				
Intergovernmental Payable	\$39,017	\$486,077	(\$405,879)	\$119,215
Due to Others	126,042	92,903	(91,385)	127,560
Total Liabilities	\$165,059	\$578,980	(\$497,264)	\$246,775



*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, 2004***

<u>Capital Assets</u>	
Land	\$10,196,111
Construction in Progress	3,353,124
Buildings	4,582,591
Improvements Other Than Buildings	982,529
Machinery and Equipment	4,358,541
Infrastructure	<u>16,710,239</u>
Total Capital Assets	<u><u>\$40,183,135</u></u>
<u>Investment in Capital Assets</u>	
General Fund	\$2,319,934
Special Revenue Funds	24,820
Capital Projects Funds	18,185,546
General Revenue Sharing	56,336
Enterprise Funds	296,777
Trust/Agency Funds	29,069
Infrastructure Prior to 2003	18,553,203
Contributions	<u>717,450</u>
Total Investment in Capital Assets	<u><u>\$40,183,135</u></u>

CITY OF TIPP CITY, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2004**

<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	34,507
Fire	13,330	0	451,606
EMS	0	0	1,750
Total	<u>13,330</u>	<u>0</u>	<u>487,863</u>
<u>Transportation:</u>			
Planning/Engineering	0	0	0
Street	<u>8,102,090</u>	<u>758,594</u>	<u>970,659</u>
Total	<u>8,102,090</u>	<u>758,594</u>	<u>970,659</u>
<u>Leisure Time Activities:</u>			
Parks	1,556,155	60,062	600,977
Pool	0	2,534,468	0
Total	<u>1,556,155</u>	<u>2,594,530</u>	<u>600,977</u>
Total Capital Assets	<u>\$10,196,111</u>	<u>\$3,353,124</u>	<u>\$4,582,591</u>

CITY OF TIPP CITY, OHIO

Improvements			
Other Than Buildings	Machinery and Equipment	Infrastructure	Total
\$0	\$4,384	\$0	\$4,384
0	17,667	0	17,667
0	338,687	0	3,386,315
0	37,064	0	37,064
0	44,167	0	44,167
0	10,992	0	10,992
0	46,880	0	46,880
0	499,841	0	3,547,469
0	626,805	0	661,312
9,934	1,383,427	0	1,858,297
0	537,181	0	538,931
9,934	2,547,413	0	3,058,540
0	88,605	0	88,605
80,224	677,844	16,710,239	27,299,650
80,224	766,449	16,710,239	27,388,255
892,371	542,525	0	3,652,090
0	2,313	0	2,536,781
892,371	544,838	0	6,188,871
<u>\$982,529</u>	<u>\$4,358,541</u>	<u>\$16,710,239</u>	<u>\$40,183,135</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, 2004**

Function and Activity	Restated December 31, 2003	Transfers	Additions	Deletions	December 31, 2004
General Government:					
Clerk - Council	\$4,384	\$0	\$0	\$0	\$4,384
City Manager	17,902	0	1,260	(1,495)	17,667
Buildings and Grounds	2,936,549	13,092	436,674	0	3,386,315
Finance - Administration	35,374	0	1,690	0	37,064
Finance - Utility Billing	45,660	0	0	(1,493)	44,167
Finance - Income Tax	12,192	0	0	(1,200)	10,992
Miscellaneous	26,488	20,392	0	0	46,880
Total	3,078,549	33,484	439,624	(4,188)	3,547,469
Security of Persons and Property:					
Police	699,529	(20,392)	8,452	(26,277)	661,312
Fire	1,796,498	51,318	21,130	(10,649)	1,858,297
EMS	479,761	(64,410)	123,580	0	538,931
Total	2,975,788	(33,484)	153,162	(36,926)	3,058,540
Transportation:					
Planning/Engineering	70,917	0	18,993	(1,305)	88,605
Street	24,889,838	1,275	3,290,614	(882,077)	27,299,650
Total	24,960,755	1,275	3,309,607	(883,382)	27,388,255
Leisure Time Activities:					
Parks	3,323,305	1,578	337,856	(10,649)	3,652,090
Pool	369,876	(2,853)	2,534,468	(364,710)	2,536,781
Total	3,693,181	(1,275)	2,872,324	(375,359)	6,188,871
Total Capital Assets	\$34,708,273	\$0	\$6,774,717	(\$1,299,855)	\$40,183,135

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>
1995	\$1,125,168	\$224,685	\$54,466	\$89,361	\$332,903	\$739,643	\$44,996	\$125,269	\$2,736,491
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

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(1) Includes General Fund, Special Revenue Funds and Debt Service Fund
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>
1995	\$1,427,129	\$721,492	\$210,519	\$118,008	\$266,203	\$30,930	\$167,959	\$2,942,240
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

(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>
1995	\$149,792	\$150,836	\$2,141	\$152,977	102.13%	\$1,942	1.30%
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%

Source: Miami County Auditor

CITY OF TIPP CITY, OHIO

**TANGIBLE TAX COLLECTED
LAST TEN YEARS**

Collection Year	Current Billings	Current Collections	% Collected	Accumulated Outstanding Delinquent Taxes
1995	\$31,960	\$34,274	107.2%	\$3,782
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

- S S -

Source: Miami County Auditor

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	
1995	\$116,621,050	\$333,203,000	\$9,796,050	\$27,988,714	\$23,989,360	\$95,957,440	\$150,406,460	\$457,149,154	32.90%
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%

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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					
1995	1.40	1.40	43.69	2.58	10.51	1.70	59.88
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

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>
1995	\$42,713	\$42,442	99.37%
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%

Source: Miami County Auditor

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2004**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$260,699,910	\$260,699,910
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	27,373,491	14,338,495
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>\$27,373,491</u></u>	<u><u>\$14,338,495</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
1995	a	6,027	\$150,406,460	\$730,000	\$103	\$729,897	0.49%	\$121.10
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

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***

<u>Year</u>	<u>Debt Principal</u>	<u>Debt Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Tax Debt Service to General Governmental Expenditures</u>
1995	\$80,000	\$45,269	\$125,269	\$2,736,491	4.58%
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%

CITY OF TIPP CITY, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2004**

<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	20,910,000	68.89%	14,404,899
Miami County	7,050,000	12.08%	<u>851,640</u>
		Subtotal	<u>15,256,539</u>
		Total	<u><u>\$15,256,539</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>
1995	a	6,027	93,182	3.7%	2,588
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

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>
1995	190	\$21,050,422	47	\$7,649,500
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

Source: City of Tipp City Building Department

CITY OF TIPP CITY, OHIO

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX)
DECEMBER 31, 2004**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1	Meijer, Inc.	Warehouse Distribution	\$19,862,660	37.00%
2	Arbogast	Auto Dealer	4,363,020	8.13%
3	A. O. Smith Corporation	Manufacturing	3,220,960	6.00%
4	DAP Products, Inc.	Manufacturing	2,962,370	5.52%
5	Precision Strip, Inc.	Manufacturing	2,113,730	3.94%
6	Tipp Machine and Tool	Manufacturing	1,792,910	3.34%
7	Trophy Nut Company	Food Processing	1,410,010	2.63%
8	Tip Top Canning Company	Food Processing	1,326,770	2.47%
9	United States Steel	Manufacturing	1,095,660	2.04%
10	AK Steel Corporation	Manufacturing	1,055,360	1.96%
		Sub-Total	39,203,450	73.03%
		All Others	14,474,230	26.97%
		Total	<u>\$53,677,680</u>	<u>100.00%</u>

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Based on valuation of property taxes assessed in 2004
Source: Miami County Auditor

CITY OF TIPP CITY, OHIO

**PRINCIPAL TAXPAYERS (PROPERTY TAX)
DECEMBER 31, 2004**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1	Borchers Construction	Property Management	\$4,086,090	2.03%
2	Dayton Power & Light	Utility - Gas and Electric	4,056,180	2.01%
3	UVMC Nursing Care	Health Care - Nursing Home	3,089,800	1.53%
4	Meijer, Inc.	Warehouse Distribution	1,965,360	0.98%
5	Precision Strip, Inc.	Manufacturing	1,592,300	0.79%
6	Dodd Limited Partnership	Property Management	1,521,400	0.76%
7	Spring Hill Nurseries, LLC	Wholesale/Retail	1,457,120	0.72%
8	Arborgast David	Auto Dealer	1,292,140	0.64%
9	A. O. Smith Corporation	Manufacturing	1,197,260	0.60%
10	TCP Center LTD	Property Management	1,117,170	0.56%
		Sub-Total	21,374,820	10.62%
		All Others	179,995,320	89.38%
		Total	\$201,370,140	100.00%

Based on valuation of property taxes assessed in 2004
Source: Miami County Auditor

CITY OF TIPP CITY, OHIO

**PRINCIPAL TAXPAYERS (INCOME TAX)
DECEMBER 31, 2004**

	<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	\$292,482	8.62%
2	Meijer, Inc.	Warehouse Distribution	264,202	7.79%
3	Tipp City Exempted Village School District	Education	146,320	4.31%
4	Gardens Alive-Springhill	Agricultural-Nursery	82,480	2.43%
5	Creative Extruded Products	Manufacturing	78,905	2.33%
6	Arbogast	Auto Dealer	65,393	1.93%
7	Tipp Machine and Tool	Manufacturing	65,200	1.92%
8	Wright Patterson Air Force Base	U.S. Government	59,517	1.75%
9	DAP Products, Inc.	Manufacturing	55,588	1.64%
10	City of Tipp City	Local Government	48,583	1.43%
		Sub-Total	1,158,670	34.15%
		All Others	2,234,343	65.85%
		Total	\$3,393,013	100.00%

CITY OF TIPP CITY, OHIO

***PRINCIPAL EMPLOYERS
DECEMBER 31, 2004***

	<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
1	Meijer, Inc.	Warehouse Distribution	800
2	A. O. Smith Corporation	Manufacturing	450
3	Tipp City Exempted Village School District	Education	283
4	Creative Extruded Products	Manufacturing	250
5	DAP Products, Inc.	Manufacturing	150
6	Springmeade Health Center	Health Care	147
7	Arbogast	Auto Dealer	135
8	Tipp Machine and Tool	Manufacturing	102
9	Allen Foods	Food Processing	100
10	Gardens Alive-Springhill	Agricultural-Nursery	76

Source: City of Tipp City Income Tax Department

CITY OF TIPP CITY, OHIO

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2004**

Date of City Incorporation 1960
 Charter Adopted 1968
 Form of Government Council-Manager

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Area (square miles)	7.1	Education:		Water System:	
Facilities and Services:		Number of Schools	5	Miles of Waterlines	52
Miles of Streets	58	Number of Teachers	175	Number of Fire Hydrants	639
Number of Street Lights	1,276	Number of Students	2,648	Average Daily Consumption (mgd)	1.2
Miles of Storm Sewers	56			Maximum Daily Capacity of Plant (mgd)	3.2
Police Services:		Recreation and Culture:		Sewerage System:	
Number of Stations	1	Number of Parks	12	Miles of Sanitary Sewers	52
Number of Uniformed Police Officers	18	Park Area (acres)	394	Average Daily Treatment (mgd)	1.2
		Number of Ball Fields	12	Maximum Daily Capacity of Treatment (mgd)	4.3
Fire/Emergency Medical Services:		Number of Tennis Courts	2		
Number of Stations	2	Swimming Pools	2		
Number of Full-time Officers and Fire Personnel	1	Number of Libraries	1		
Number of Part-time Fire/EMS Personnel	38				

Source: Tipp City Department of Finance





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

CITY OF TIPP CITY, OHIO

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

December 31, 2004



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

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
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 aggregated remaining fund information of the City of Tipp City, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 20, 2005. 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 opinion 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 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*.

We noted certain matters that we reported management of the City in a separate letter dated May 20, 2005.

This report is intended solely for the information and use of the City Council, the City Manager, management of the City, 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, Hachett & Co.

Springfield, Ohio
May 20, 2005



**Auditor of State
Betty Montgomery**

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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 23, 2005**