

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2004

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

INTRODUCTORY SECTION

**CITY OF MASON CITY, IOWA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2004**

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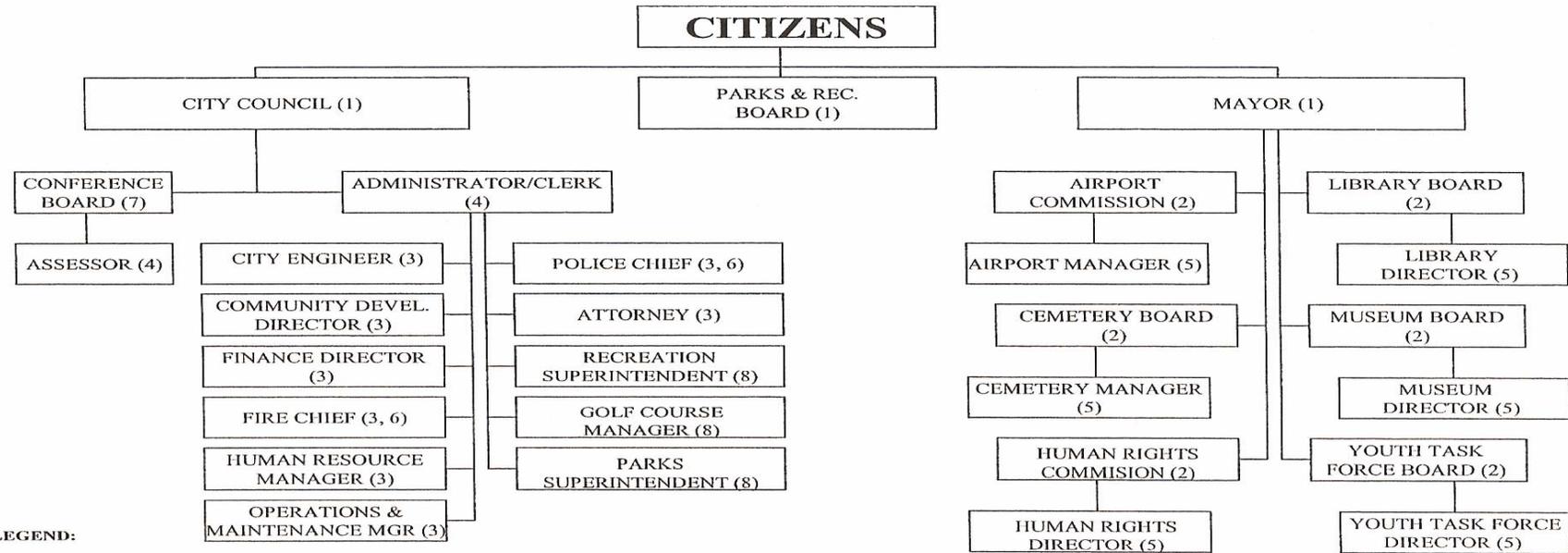
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CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2004

<u>Name</u>	<u>Title</u> (Before January, 2004)	<u>Term Expires</u>
Jean Marinos	Mayor	2006
Council Members:		
Lori Henry	Mayor Pro-Tem	2006
Roger Bang	Council Member	2004
Don Nelson	Council Member	2004
Lee Snell	Council Member	2004
Leonard Foster	Council Member	2006
John Jaszewski	Council Member	2006
Tim Moerman	City Administrator	2003
Dirk Jablonski	Public Works Director	2003
Kevin Jacobson	Director of Finance/Treasurer	2003
Herman P. Folkers (resigned 1-1-04)	Attorney	2003
James Locher	Airport Attorney	2003
David Ellingson	Police Chief	2003
Bob Platts	Fire Chief	2003
Myrtle Nelson	Community Development Director	2003
(After January, 2004)		
Jean Marinos	Mayor	2006
Council Members:		
Lori Henry	Mayor Pro-Tem	2006
Jeff Marsters	Council Member	2008
Don Nelson	Council Member	2008
Max Weaver	Council Member	2008
Leonard Foster	Council Member	2006
John Jaszewski	Council Member	2006
Tim Moerman	City Administrator	2004
Dirk Jablonski (resigned 1-7-05)	Public Works Director	2004
Kevin Jacobson	Director of Finance/Treasurer	2004
Tom Meyer (effective 2-12-04)	Attorney	2004
James Locher	Airport Attorney	2004
David Ellingson	Police Chief	2004
Bob Platts	Fire Chief	2004
Myrtle Nelson	Community Development Director	2004

CITY OF MASON CITY



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LEGEND:

- (1) ELECTED by Voters
- (2) APPOINTED by Mayor with Council Approval
- (3) APPOINTED by Administrator with Council Approval
- (4) APPOINTED by City Council
- (5) APPOINTED by Appropriate Board
- (6) Department Heads, under Civil Service Rule
- (7) Composed of representatives from City Council, County Board of Supervisors, and Mason City Board of Education
- (8) APPOINTED by Administrator with Park Board Approval

Mason City

CITY OF MASON CITY

10 1st Street NW · Mason City, IA 50401

December 23, 2004

The Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

The Comprehensive Annual Financial Report of the City of Mason City, Iowa for the fiscal year ended June 30, 2004 (FY04) is submitted herewith in accordance with the provisions of Section 384.22 of the Code of Iowa, 1995, as amended, the recommendations of the Government Finance Officers Association and in conformity with accounting principles generally accepted in the United States of America.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes a table of contents, a list of City Officials, the organizational chart, this transmittal letter, and a copy of the Certificate of Achievement for Excellence in Financial Reporting earned for the fiscal year ended June 30, 2003. The financial section includes management's discussion and analysis, the basic financial statements, and nonmajor funds and other schedules for the fiscal year ended June 30, 2004, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

ECONOMIC CONDITION AND OUTLOOK

The City of Mason City staff worked jointly with the Mason City Economic Development Corporation (MCEDC), a non-profit public-private organization, to continue to promote and facilitate job creation and capital investment in the Mason City area.

During the 2003-2004 fiscal year, the MCEDC and City staff spearheaded many new initiatives to further assist local industries and attract new capital investment. The accomplishments for the past fiscal year include:

- . Alliant Energy opened their new \$400 million electric generation facility in June.
- . Golden Grain Energy's ethanol production plant was under construction.
- . ConAgra Foods consolidated some of their Midwest operations to their Mason City facility. The company invested over \$10 million in plant upgrades and equipment purchases.

To recruit new companies the MCEDC worked directly and indirectly with over 50 companies that are contemplating expansion to Cerro Gordo County, exhibiting at several major trade shows throughout the country, calling on businesses for recruitment purposes around the country, and recruiting businesses with direct mailings, newsletters, and the MCEDC website. The staff also worked together with the State of Iowa and the Governor to promote Mason City as a location for industry (including technology businesses). To promote stability and expansion of existing industrial companies MCEDC staff called on the headquarters of several major Mason City industries, worked with several local companies on issues that affect their local operations, and regularly communicated with local companies. The MCEDC also completed a comprehensive labor shed analysis of the North Iowa workforce in conjunction with Iowa Workforce Development.

EXPANDED AND NEW INDUSTRIES

The valuation of new or expanded industrial development totaled \$13,752,571, while new or expanded commercial development totaled \$8,000,000. Construction of a Flue Gas Desulphurization Structure and Control Building for Lehigh Cement was a front-runner for industrial development with a \$10,319,341 addition. ConAgra Foods \$3,000,000 expansion was also a leading project.

The commercial sector experienced development of 16 new structures in addition to 22 major expansions and remodeling projects. Two major developments in our commercial sector were the construction projects for the \$1.0 million Best Buy Store, and the Hamilton Business College relocation for \$1.2 million. The Menard's remodel/expansion project was also completed with an \$850,000 construction cost. All of these new commercial facilities should generate a large demand for various trade goods, employment opportunities and retail revenues for our community.

Other commercial and industrial ventures such as Subway Restaurant (Indianhead), Shirk's Chiropractic Clinic, Aesthetic Touch Spa, Quiznos Restaurant, Family Video, Wells Federal Bank, Borealis Coffee House, Hoepfner Dental Clinic, US Cellular, Robin's Oasis & Spa, American Mattress, Cell-U-Byte, Goodwill, Dollar General, McDonalds, Gamers, and several medical facility remodels have all provided major physical additions and/or renovations to their current facilities. Several of the above listed businesses opened for business during the year while others either completed or started remodeling and/or expansion projects. Some, such as Shirk's Chiropractic Clinic, Hoepfner Dental Clinic, Mason City Clinic, Radiologists of North Iowa, and Mercy Med Center either expanded or opened new facilities. McDonald's rebuilt in the same location. In addition, a new office building and new retail structures were built for leasing in the area of Indianhead Drive.

DOWNTOWN

The City has continued to work with the Mason City Downtown Association to stabilize and enhance the Downtown area. The functions of the Association include business improvement, promotions/events/marketing and design (appearance) improvements. The following tasks have been completed:

1. Obtained Main Street Iowa Status and began a rigorous training program with the State.
2. Partnered with Mason City banks to create a low-interest loan program that has received much use.
3. Used Main Street Iowa to create façade designs for 6 Downtown buildings.

The City of Mason City continues its partnership with the Mason City Foundation in the historic rehabilitation of the Park Inn Hotel by providing grant writing and other supportive assistance. Significant advancements in stabilization of the structure have occurred over the last year including re-pointing and cleaning of brick and stonework, installation of historically accurate windows, and installation of a new roof drainage system. Demolition of non-period improvements is underway in preparation for interior rehabilitation.

HOUSING

Housing construction for fiscal year 2004 included 42 single-family dwellings, 10 duplexes (20 units), and 4 multi-family dwellings containing 18 units for a total of 80 new housing units. Although the number of single-family dwellings built was fairly average, the number of duplexes nearly tripled and the number of multi-family units also exceeded the average pushing the number of dwelling units built to a number significantly higher than that of previous years. Nineteen (19) single-family dwellings were demolished, however, no duplex or multi-family dwellings were demolished. After reducing the number of houses built by the number demolished, the net gain for housing in FY 04 totals 42 single-family homes, 10 duplexes, and 4 multi-family dwellings which equates to 61 dwelling units for the community.

The City of Mason City recognizes the need for continuing programs to provide affordable housing opportunities within the community. City staff began administration of a 2004 Housing Fund grant in the amount of \$448,365 that provides forgivable loans to low- and moderate-income owner-occupants in the Gooch Park Neighborhood for housing rehabilitation. A 2005 Housing Fund application was submitted requesting \$193,582 to assist four low- and moderate-income, first-time homebuyers. Funds would be used to assist with down payment, closing costs and/or mortgage buy-down, as well as, housing rehabilitation in support of homeownership. Awards will be announced in March 2005.

The rental housing inspection program was also initiated and improvements were conducted as a result.

TRAFFIC

In 2004, the Mason City Engineering Department completed several transportation improvement projects throughout the City. The intent of the projects was to improve traffic flow, increase safety and restore the driving surface for the traveling public.

Turn lanes were installed and traffic signals were upgraded at the intersection of 4th St. S.E. (Hwy 122) and Illinois Avenue.

Approximately 2.75 miles of existing paving was resurfaced to extend the life of the pavement and to improve ride ability.

FINANCIAL INFORMATION

For financial reporting purposes, in conformance with Governmental Accounting Standards Board (GASB) Statement No. 14 The Financial Reporting Entity, the City includes all funds, organizations, agencies, boards, commissions, and authorities that are financially accountable to the City.

Single Audit: As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2004 provided no instances of material weakness in the internal control structure and no significant violations of applicable laws and regulations. Single audit reporting is filed under separate cover.

Budgetary Controls: In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of all funds are included in the annual appropriated budget. The legal level of control for budgetary purposes for all funds as set by Iowa law is at the program level.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed in even dollars.

General Governmental Functions: The following schedule presents a summary of general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2004.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$12,659,699	57.7%
Licenses and Permits	576,466	2.6
Intergovernmental	6,394,531	29.2
Service Revenues	709,077	3.2
Fines and Forfeitures	162,745	0.7
Use of Monies and Properties	607,641	2.8
Special Assessments	164,337	0.8
Miscellaneous	580,799	2.6
Refunds	70,044	0.4
Total	<u>\$21,925,339</u>	<u>100.0%</u>

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2004.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$ 7,038,308	22.3%
Public Works	3,158,130	10.0
Health and Social Services	532,232	1.7
Culture and Recreation	2,341,327	7.4
Community & Economic Development	3,744,709	11.9
General Government	1,905,417	6.0
Capital Projects	9,594,988	30.4
Debt Service	3,243,849	10.3
Total	<u>\$31,558,960</u>	<u>100.0%</u>

GENERAL FUND BALANCE

The General Fund closed the FY04 with a fund balance of \$9,167,240 compared to \$8,695,239 on June 30, 2003. This was due to a \$472,001 excess of revenues over expenditures for FY04.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$79,856 in FY04, a decrease of 1.4% from FY03. Operating expenses were \$230,627 in FY04, an increase of 3.4% from FY03. Net income was \$(19,574) in FY04, a 126.9% decrease from FY03.
2. Waterworks Fund - Operating revenues were \$3,542,206 in FY04, an increase of 18.4% from FY03. Operating expenses were \$2,663,039 in FY04, an increase of 14.3% from FY03. Net income was \$3,728,133 in FY04, a 39.2% increase from FY03.

3. Sewer Rental Fund - Operating revenues were \$2,014,835 in FY04, a decrease of 5.2% from FY03. Operating expenses were \$2,177,038 in FY04, a decrease of 5.5% from FY03. Net income was \$16,944 in FY04, a 73.2% decrease from FY03.
4. Parking Lots Fund - Operating revenues were \$47,915 in FY04, an increase of 68.7% from FY03. Operating expenses were \$94,365 in FY04, an increase of 14.3% from FY03. Net income was \$(17,893) in FY04, a 16.8% increase from FY03.
5. Storm Sewer Fund - Operating revenues were \$184,260 in FY04, a 0.4% decrease from FY03. Operating expenses were \$108,823 in FY04, a 6.4% decrease from FY03. Net income was \$154,990 in FY04, a 111.4% increase from FY03.
6. Solid Waste Fund - Operating revenues were \$940,889 in FY04, a decrease of 1.0% from FY03. Operating expenses were \$933,796 in FY04, an increase of 0.3% from FY03. Net income was \$1,615 in FY04, a 93.4% decrease from FY03.
7. Golf Course Fund - Operating revenues were \$282,927 in FY04, a decrease of 7.4% from FY03. Operating expenses were \$309,167 in FY04, an increase of 3.7% from FY03. Net income was \$(17,893) in FY04, a 155.5% decrease from FY03.
8. Ambulance Fund - Operating revenues were \$59,084 in FY04. Operating expenses were \$210,662 in FY04. Net income was \$(154,556) in FY04. The Ambulance Fund began operations during FY04.

INTERNAL SERVICE FUNDS

The Central Services Internal Service Fund is used to account for the costs of the centralized service operations, and the Employee Health Care Fund is used to account for the payment of health insurance costs and the reimbursement of employee's portion of costs.

FIDUCIARY FUNDS

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

DEBT ADMINISTRATION

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. The following shows this information as of June 30, 2004:

		RATIOS	
	Amount	Debt to Assessed Value	Debt per Capita
Net Bonded Debt	\$5,918,685	0.45%	\$202.89

The City issued \$1,215,000 of General Obligation bonds during the year as part of various public works and utility-related projects.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the U. S. Treasury. Police and Fire Retirement Special Revenue funds investment portfolio also included, Simplified Asset Management (SAM), and money market accounts with the Aetna Life Insurance Company. The City earned interest revenue of \$590,289 on all investments for the year ended June 30, 2004.

For the fiscal period ended June 30, 2004, interest income was as follows:

<u>Fund Type</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
General Fund	\$127,332	\$ 156,089
Special Revenue Funds	305,215	346,427
Capital Projects Funds	39,780	85,964
Enterprise Funds	36,540	62,449
Permanent Funds	37,866	46,676
Debt Service Funds	20,994	32,506
Fiduciary Funds	64	723
Internal Service Funds	22,498	40,844
Total Interest Earned	<u>\$590,289</u>	<u>\$771,678</u>

The decrease in earnings on idle funds invested for the year ending June 30, 2004 was due to the decrease in rate of return on invested funds.

RISK MANAGEMENT

The City has a Safety Loss Control Program for the purpose of providing a safe and healthy workplace for its employees. Also, the City has a Fleet Safety policy for the purpose of promoting safe driving by the municipal employees. As part of these comprehensive plans, the City has regular safety training meetings to instruct employees in various risk control techniques, as well as accident prevention training. Insurance coverage is currently maintained for workers compensation claims greater than \$300 and other potential losses.

OTHER INFORMATION

Independent Audit: The Code of Iowa requires an annual audit be made of the financial condition and transactions of all administrative departments of the City by the State Auditor or by a Certified Public Accountant selected by the City Council. The audit for FY04 was made by Douglas E. Kronlage, Certified Public Accountant. His opinion has been included in this report.

Awards: 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 Mason City, Iowa, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the eighteenth consecutive year that the government has achieved this prestigious award. The City of Mason City was one of only approximately 20 Iowa cities to receive the award for this fiscal year.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments: Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Department of Finance and the various department heads and employees who assisted and contributed to its preparation. We wish to thank each one of you for your interest in the support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Kevin E. Jacobson

Kevin E. Jacobson
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mason City,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 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. Emer

Executive Director

FINANCIAL SECTION



Certified Public Accountant
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

I 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 Mason City, Iowa, as of and for the year ended June 30, 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 Mason City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Mason City, Iowa, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Road Use Tax Fund and Community Growth TIF Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 23, 2004 on my consideration of the City of Mason City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with, *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion & Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information for the year ended June 30, 2004 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Douglas E. Kronlage

December 23, 2004

City of Mason City, Iowa Management's Discussion and Analysis

As management of the City of Mason City, we offer the readers of the City of Mason City's financial statements this narrative overview and analysis of the financial activities of the City of Mason City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-x of this report. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

FINANCIAL HIGHLIGHTS

- The assets of the City of Mason City exceeded its liabilities at the close of June 30, 2004, by \$92.76 million (net assets). Of this amount, \$20.66 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total assets increased by \$20.3 million.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$22.5 million, a decrease of 20.8% as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$9.17 million, or 54.7% of the total general fund expenditures.
- Total debt increased by \$7.0 million (34%) during the current fiscal year. The City issued \$11.0 million of new bonds and retired \$4.0 million of existing bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Mason City's basic financial statements. The City of Mason City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Mason City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Mason City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Mason City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Mason City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mason City include general government, police and fire protection, parks and recreation oriented activities, library services, museum services, airport, cemetery services, and street operations and maintenance. The major business-type activities of the City include the water and wastewater treatment facilities, storm sewer system, solid waste management collection, parking lots and the golf course. The City's component unit, the MacNider Museum Foundation, is also included. Financial information for this component unit is included with governmental special revenue funds.

The government-wide financial statements can be found on pages 13-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mason City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mason City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mason City maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Road Use Tax fund, and Community Growth TIF fund, which are all considered as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mason City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 17-28 of this report.

Proprietary Funds

The City of Mason City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sanitary Sewer funds. All other business type funds are combined into one non-major business type fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Mason City uses internal service funds to account for its maintenance functions and employee health care trust. Because these services predominately benefit governmental rather than business type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Treatment and Sanitary Sewer as these are considered major funds of the City. Data from the other six enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. The basic proprietary financial statements can be found on pages 29-38 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of those funds are not available to support the City of Mason City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 39-40 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-61 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mason City, assets exceeded liabilities by \$92,760,864 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net assets (73%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City of Mason City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Mason City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net Assets and Changes in Net Assets for the fiscal year ending June 30, 2004 and June 30, 2003.

City of Mason City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current & other assets	\$35,487,588	\$33,813,637	\$ 3,938,139	\$ 4,731,799	\$ 39,425,727	\$38,545,436
Capital assets	43,854,814	37,206,668	52,131,467	39,330,284	95,986,281	76,536,952
Total assets	79,342,402	71,020,305	56,069,606	44,062,083	135,412,008	115,082,388
Long-term liabilities outstanding	9,056,370	9,749,409	16,318,537	7,919,080	25,374,907	17,668,489
Other liabilities	13,089,320	5,426,992	4,186,917	4,082,154	17,276,237	9,509,146
Total liabilities	22,145,690	15,176,401	20,505,454	12,001,234	42,651,144	27,177,635
Net Assets:						
Invested in capital assets, net of related debt	33,654,513	25,910,449	34,673,507	29,846,554	68,328,020	55,757,003
Restricted	1,635,739	2,753,503	2,130,904	1,587,958	3,766,643	4,341,461
Unrestricted	21,906,460	27,179,952	(1,240,259)	626,337	20,666,201	27,806,289
Total	\$57,196,712	\$55,843,904	\$35,564,152	\$32,060,849	\$ 92,760,864	\$87,904,753

A portion of the City of Mason City's net assets (4.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$20,666,201) may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City of Mason City is able to report positive balances in all three categories of net assets, both for governmental as a whole, as well as separate governmental and business-type activities. As projects are finalized and closed, the majority is financed through the issuance of bonds, which are then repaid through the debt service levy or tax-increment financing.

City of Mason City's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Charges for services	\$ 1,707,961	\$ 1,848,199	\$ 7,192,341	\$ 6,700,380	\$ 8,900,302	\$ 8,548,579
Operating grants & contributions	2,982,349	2,343,486	-	-	2,982,349	2,343,486
Capital grants & contributions	1,404,793	1,632,310	3,289,676	1,667,106	4,694,469	3,299,416
General Revenues:						
Taxes	17,069,573	15,643,648	83,372	87,734	17,152,945	15,731,382
Investment earnings	693,661	1,059,921	65,418	124,702	759,079	1,184,623
Miscellaneous	279,303	163,448	34,190	35,507	313,493	198,955
Total Revenues	24,137,640	22,691,012	10,664,997	8,615,429	34,802,637	31,306,441
Expenses:						
Public safety	7,651,154	6,906,490	-	-	7,651,154	6,906,490
Public works	5,408,728	5,478,863	-	-	5,408,728	5,478,863
Health & social services	556,758	484,978	-	-	556,758	484,978
Culture & recreation	2,739,284	2,298,424	-	-	2,739,284	2,298,424
Community & economic development	3,885,016	4,005,048	-	-	3,885,016	4,005,048
General government	2,013,286	2,176,336	-	-	2,013,286	2,176,336
Interest on debt	589,257	544,542	-	-	589,257	544,542
Water	-	-	2,755,310	2,461,202	2,755,310	2,461,202
Sewer	-	-	2,375,568	2,518,571	2,375,568	2,518,571
Other	-	-	1,972,165	1,732,449	1,972,165	1,732,449
Total expenses	22,843,483	21,894,681	7,103,043	6,712,222	29,946,526	28,606,903
Increase in net assets before transfers	1,294,157	796,331	3,561,954	1,903,207	4,856,111	2,699,538
Transfers	58,651	(791,038)	(58,651)	791,038	-	-
Increase in net assets	1,352,808	5,293	3,503,303	2,694,245	4,856,111	2,699,538
Net assets 7-1-2003	55,843,904	55,838,611	32,060,849	29,366,604	87,904,753	85,205,215
Net assets 6-30-2004	\$57,196,712	\$55,843,904	\$35,564,152	\$32,060,849	\$92,760,864	\$87,904,753

Governmental Activities

The governmental activities' net assets for the City of Mason City increased by \$1,352,808 during the current fiscal year, accounting for 26.3% of the total increase in the net assets of the City of Mason City. The majority of the increase in the net assets is a result of street construction and park improvements.

Business-Type Activities

Total assets increased by \$12,007,523 for fiscal year 2004, accounting for 59.3% of the total growth in the City of Mason City's net assets. The increase is due to the City continuing construction at the water plant for the Radium Reduction project.

Charges for services for business-type activities increased 7.3%. Utility rate increases of 8.7% for Water and 9.7% for Sewer were enacted July 1, 2003.

Operating expenses for business type activities increased by 5.8%. Water expenses increased by 11% while Sewer expenses decreased by 6%.

Financial Analysis of the Government's Funds

As noted earlier, the City of Mason City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. In particular, unreserved fund balance serves as a useful measure of a government's net resources available for spending during the fiscal year.

As of the end of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$22,543,473, a decrease of \$5,808,040 in comparison with the prior year. The fund balance has been reserved to indicate the amount not available for new spending because it has already been committed 1) to liquidate general obligation bonds (\$1,221,315); 2) for cemetery perpetual care (\$414,424); and 3) prepaid expenditures (\$321,347).

The General Fund is the chief operating fund of the City of Mason City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,976,676 while total fund balance reached \$9,167,240. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 64% of total general fund expenditures, while total fund balance represents 66% of that same amount.

The General Fund balance increased by \$472,001 during the current fiscal year. Key factors in this growth are as follows:

- Revenues for all sources were below budget projections. Overall, general fund revenues were below budget by 4%.
- Revenue categories where revenues were weaker than anticipated include intergovernmental, charges for services and miscellaneous.
- Overall expenditures were under approved budget by 12.8%. All Divisions came in under budget, with the exception of public safety and community and economic development.

The debt service fund has a total fund balance of \$1,221,315, all of which is reserved for the payment of future debt service. The net decrease in fund balance during the current year in the debt service fund was due to prepayment of the Southbridge bond issue, resulting in a savings of \$59,175 in future interest payments.

During the fiscal year, the City of Mason City issued bonds for the following projects:

- \$4,645,000 General Obligation bonds for Street Improvements, Water Improvements and Wastewater Projects.
- \$435,680 General Obligation Note for Ambulance Building Improvements.
- \$490,990 Lease for Purchase of Ambulances and Equipment.
- Continued drawing from \$17,595,000 State Revolving Fund bonds for the Radium Reduction project at the Water Treatment Plant.

The basic governmental fund financial statements can be found on pages 17-28.

Proprietary Funds

The City of Mason City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$(812,171). Water and Sewer reported an increase in net assets of \$3,728,133 and \$16,944, respectively.

Rates were increased in the Water, Sewer and Sanitation funds. The rate increase in Water is used to provide additional resources needed to finance the Radium Reduction Project. This project was mandated by the Environmental Protection Agency and was completed during fiscal year 2005.

The capital improvements plan identifies and quantifies capital needs for the next several years. Rates in all proprietary funds are anticipated to rise as capital projects are scheduled to begin construction in the next few years.

General Fund Budgetary Highlights

Differences between original and final budget amounted to \$6,434,154 and the significant items are summarized as follows:

Public safety salaries were increased by \$60,000 and funded through new grants received during the fiscal year.

- Youth Task Force services were increased by \$187,000 and funded through state grants.
- Low Rent Housing received additional federal funding of \$220,000 to be used to increase the number of rental units subsidized.
- Construction on 9th Street SW was completed for \$923,000.
- \$4,750,000 of Local Option Sales tax was transferred to the Overpass Project Capital Fund.
- \$1,340,000 of outstanding debt for Southbridge was called during the fiscal year.
- Northbridge street construction for \$1,460,000 was completed.
- Revenue bonds of \$2,800,000 were issued for the last part of construction for the Radium Reduction Project.
- \$1,384,000 was allocated for Debt Service transfers in.

Capital Asset and Debt Administration

Capital Assets

The City of Mason City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$95,986,281 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Construction continued on the \$22,000,000 Radium Reduction Project at the Water Treatment facility.
- Several street construction projects including overlay and redesign of Highway 65 and 4th Street NW were completed.
- The Airport continued with land acquisition for runway preservation.
- Several parks enhancements were completed including improvements to Gooch Park and the Aquatic Center.

City of Mason City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,712,025	\$ 1,410,767	\$ 4,803,362	\$ 4,803,362	\$ 6,515,387	\$ 6,214,129
Buildings & Structures	2,856,385	2,892,815	1,798,077	1,966,437	4,654,462	4,859,252
Other Improvements	5,360,773	2,452,686	235,401	111,582	5,596,174	2,564,268
Machinery & Equipment	1,347,350	1,344,595	22,225,477	21,678,335	23,572,827	23,022,930
Vehicles	2,095,149	2,263,616	1,020,399	569,100	3,115,548	2,832,716
Infrastructure	25,307,966	23,690,677	-	-	25,307,966	23,690,677
Construction in Progress	5,175,166	3,151,512	22,048,751	10,201,468	27,223,917	13,352,980
Total	\$43,854,814	\$37,206,668	\$52,131,467	\$39,330,284	\$95,986,281	\$76,536,952

Additional information on the City of Mason City's capital assets can be found in note 6 on pages 51-53 of this report.

Long-Term Debt

The amount of debt outstanding at fiscal year end was \$28.3 million as compared to \$20.9 million last fiscal year. The increase is a result of continuing to draw on the State Revolving Fund loan for the Radium Reduction Project. Of the total debt outstanding, \$7.6 million is backed by the full faith and credit of the City. The remainder is either general obligation debt abated by enterprise revenues or revenue bonds secured solely by specified revenue sources, namely tax increment revenues, water or sewer revenues.

City of Mason City's Outstanding Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
General obligation	\$ 7,554,980	\$ 8,345,000	\$ 60,000	\$ 90,000	\$ 7,614,980	\$ 8,435,000
Revenue bonds	2,695,000	2,895,000	17,833,640	9,393,730	20,528,640	12,288,730
Equipment purchase contract	186,233	243,043	-	-	186,233	243,043
Total	\$10,436,213	\$11,483,043	\$17,893,640	\$ 9,483,730	\$28,329,853	\$20,966,773

Moody's Investor Services continues to rate the City's General Obligation Bonds Aa1.

For more detailed information on the City's debt and amortization terms, please refer to Notes to the Financial Statements on pages 55-56.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Mason City is \$66,048,766, and the City of Mason City is currently at \$10,361,213 or 17.2% of our outstanding general obligation debt.

Additional information on the City of Mason City's long-term debt can be found in Note 9 on pages 55-59 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City of Mason City is currently 3.5%, up from the previous year's 3.4%. This rate compares favorably to the state's average rate of 4.4% and the national average rate of 5.8%.
- The average hourly rate in manufacturing was \$12.60 in fiscal year 2004 as compared to \$12.47 in fiscal year 2003.
- Retail sales in the Cerro Gordo County were \$550 million for fiscal year 2003 compared to \$556 million in fiscal year 2004.
- The total value of building permits for fiscal year 2004 was approximately \$43 million. This compares with an amount of \$69 million for fiscal year 2003. Fiscal year 2003 included roof replacement for thousands of homes due to damage from a hailstorm.

Next Year's Budget and Rates

For FY 2005, department managers were instructed to minimize any changes in budget in anticipation of reduced state revenues. However, certain costs such as payroll and insurance are anticipated to increase. Approximately 72% of our operating costs in the General Fund are for Personal Services, including wages and benefits. Changes in Personal Services can be due to changes in the pay rates, changes in benefits, changes in the number of employees, or any combination of these.

Due to the continued improvements for water and sewer infrastructure, fees are projected to increase approximately 6.0% for FY 2005. Several capital projects are currently under consideration for the FY 2005 budget. Even with these increases in rates, our combined water, sewer, storm sewer and sanitation rates are near the midpoint of surveyed cities in Iowa that provide similar services.

Financial Information Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact Kevin E. Jacobson, Finance Director, City of Mason City, 10 1st Street N.W., Mason City, Iowa 50401.

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash	\$ 7,666,451	\$ 404,389	\$ 8,070,840
Investments	16,609,609	875,520	17,485,129
Receivables:			
Taxes	8,437,164	88,288	8,525,452
Special assessments	180,176	33,344	213,520
Accounts (net)	41,290	834,512	875,802
Accrued interest	53,586	1,060	54,646
Internal balances	248,263	(248,263)	-
Due from other governments	1,230,694	-	1,230,694
Prepaid insurance	198,546	27,771	226,317
Prepaid expenses	122,801	-	122,801
Inventory	-	318,022	318,022
Total current assets	<u>\$34,788,580</u>	<u>\$ 2,334,643</u>	<u>\$ 37,123,223</u>
Noncurrent assets:			
Restricted assets:			
Cash	\$ 19,551	\$ 333,323	\$ 352,874
Investments	392,918	1,250,000	1,642,918
Receivables	1,955	793	2,748
Special assessments	284,584	19,380	303,964
Capital assets:			
Land and construction in progress	6,887,191	26,852,113	33,739,304
Other capital assets net of depreciation	36,967,623	25,279,354	62,246,977
Total noncurrent assets	<u>\$44,553,822</u>	<u>\$53,734,963</u>	<u>\$ 98,288,785</u>
Total assets	<u>\$79,342,402</u>	<u>\$56,069,606</u>	<u>\$135,412,008</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 1,334,083	\$ 436,735	\$ 1,770,818
Salaries payable	349,479	98,885	448,364
Contracts payable	616,316	1,575,443	2,191,759
Accrued compensated absences	812,911	179,071	991,982
Accrued interest payable	41,005	57,498	98,503
Due to other governments	4,163	14,390	18,553
Due to customers	-	28,325	28,325
Unearned revenue	34,612	-	34,612
Prepaid interments	-	28,452	28,452
Deferred revenues	8,602,820	193,015	8,795,835
Current portion of long-term debt:			
Bonds payable	1,140,708	1,484,007	2,624,715
Equipment purchase contract	59,366	-	59,366
Capital lease	-	91,096	91,096
Settlement payable	93,857	-	93,857
Total current liabilities	<u>\$13,089,320</u>	<u>\$ 4,186,917</u>	<u>\$ 17,276,237</u>
Noncurrent liabilities:			
Bonds payable	\$ 9,034,272	\$16,078,989	\$ 25,113,261
Equipment purchase contract	126,867	-	126,867
Capital lease	-	399,894	399,894
Settlement payable	56,143	-	56,143
Discount on bonds payable	(35,273)	(160,346)	(195,619)
Excess refunding debt costs	(125,639)	-	(125,639)
Total noncurrent liabilities	<u>\$ 9,056,370</u>	<u>\$16,318,537</u>	<u>\$ 25,374,907</u>
Total liabilities	<u>\$22,145,690</u>	<u>\$20,505,454</u>	<u>\$ 42,651,144</u>

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET ASSETS:			
Invested in capital assets-net of related debt	\$33,654,513	\$34,673,507	\$ 68,328,020
Restricted for:			
Bond retirement	1,221,315	1,695,224	2,916,539
Capital projects	-	435,680	435,680
Perpetual care	414,424	-	414,424
Unrestricted	<u>21,906,460</u>	<u>(1,240,259)</u>	<u>20,666,201</u>
Total net assets	<u>\$57,196,712</u>	<u>\$35,564,152</u>	<u>\$ 92,760,864</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Public safety	\$ 7,651,154	\$ 533,677	\$ 165,789
Public works	5,408,728	304,793	348,606
Health and social services	556,758	9,068	264,012
Culture and recreation	2,739,284	495,459	489,283
Community and economic development	3,885,016	66,149	1,714,659
General government	2,013,286	298,815	-
Interest on long-term debt	589,257	-	-
Total governmental activities	<u>\$22,843,483</u>	<u>\$1,707,961</u>	<u>\$2,982,349</u>
Business-type activities:			
Cemetery	\$ 242,607	\$ 79,856	\$ -
Water	2,755,310	3,542,206	-
Sewer	2,375,568	2,028,147	-
Parking lots	93,865	74,972	-
Storm sewer	108,823	184,260	-
Solid waste	980,181	940,889	-
Golf course	333,049	282,927	-
Ambulance	213,640	59,084	-
Total business-type activities	<u>\$ 7,103,043</u>	<u>\$7,192,341</u>	<u>\$ -</u>
Total primary government	<u>\$29,946,526</u>	<u>\$8,900,302</u>	<u>\$2,982,349</u>

General Revenues:

Property taxes
Other taxes
Franchise taxes
Road use tax
Unrestricted state replacement tax
Grants and contributions not restricted
to specific program
Unrestricted investment income
Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ (6,951,688)	\$ -	\$ (6,951,688)
810,808	(3,944,521)	-	(3,944,521)
-	(283,678)	-	(283,678)
189,077	(1,565,465)	-	(1,565,465)
404,908	(1,699,300)	-	(1,699,300)
-	(1,714,471)	-	(1,714,471)
-	(589,257)	-	(589,257)
<u>\$1,404,793</u>	<u>\$(16,748,380)</u>	<u>\$ -</u>	<u>\$(16,748,380)</u>
\$ -	\$ -	\$ (162,751)	\$ (162,751)
3,127,944	-	3,914,840	3,914,840
86,480	-	(260,941)	(260,941)
-	-	(18,893)	(18,893)
75,252	-	150,689	150,689
-	-	(39,292)	(39,292)
-	-	(50,122)	(50,122)
-	-	(154,556)	(154,556)
<u>\$3,289,676</u>	<u>\$ -</u>	<u>\$ 3,378,974</u>	<u>\$ 3,378,974</u>
<u>\$4,694,469</u>	<u>\$(16,748,380)</u>	<u>\$ 3,378,974</u>	<u>\$(13,369,406)</u>
	\$ 9,121,213	\$ 83,372	\$ 9,204,585
	5,260,326	-	5,260,326
	72,000	-	72,000
	2,444,356	-	2,444,356
	171,678	-	171,678
	132,876	-	132,876
	693,661	65,418	759,079
	146,427	34,190	180,617
	58,651	(58,651)	-
	<u>\$ 18,101,188</u>	<u>\$ 124,329</u>	<u>\$ 18,225,517</u>
	\$ 1,352,808	\$ 3,503,303	\$ 4,856,111
	55,843,904	32,060,849	87,904,753
	<u>\$ 57,196,712</u>	<u>\$35,564,152</u>	<u>\$ 92,760,864</u>

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2004

	General	Road Use Tax
ASSETS:		
Cash	\$ 2,380,239	\$ 414,331
Investments	8,340,650	760,801
Receivables:		
Property taxes	6,915,995	-
Other taxes	897	-
Accrued interest	24,166	-
Special assessments - current	145,349	-
Special assessments - deferred	155,875	-
Accounts	39,502	1,788
Due from other funds	671,468	32,851
Due from state government	275,089	193,311
Due from federal government	485,833	-
Prepaid insurance	190,564	7,982
Prepaid expenditures	-	-
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
Total assets	\$19,625,627	\$ 1,411,064
 LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	\$ 446,277	\$ 123,850
Salaries payable	313,928	25,116
Contracts payable	44,341	148,544
Accrued vacation payable	743,003	47,098
Due to other funds	1,799,773	317,333
Due to state government	3,823	-
Deferred revenue	6,978,773	-
Unearned income	34,612	-
Settlement payable	93,857	-
Total liabilities:	\$10,458,387	\$ 661,941
 Fund balances:		
Reserved for:		
Prepaid insurance	\$ 190,564	\$ 7,982
Prepaid expenditures	-	-
Perpetual care	-	-
Debt service	-	-
Unreserved:		
General	8,976,676	-
Special revenue	-	741,141
Capital project	-	-
Permanent	-	-
Total fund balances	\$ 9,167,240	\$ 749,123
Total liabilities and fund balances	\$19,625,627	\$ 1,411,064

(continued)

<u>Community Growth TIF</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ 4,038,777	\$ 6,833,347
-	7,008,158	16,109,609
19,135	1,151,137	8,086,267
-	-	897
-	28,173	52,339
-	34,827	180,176
-	128,709	284,584
-	-	41,290
-	4,584,306	5,288,625
-	234,500	702,900
-	41,961	527,794
-	-	198,546
-	122,801	122,801
-	19,551	19,551
-	392,918	392,918
-	1,955	1,955
<u>\$ 19,135</u>	<u>\$17,787,773</u>	<u>\$38,843,599</u>

\$ 9,964	\$ 132,640	\$ 712,731
-	6,413	345,457
6,689	416,742	616,316
-	13,962	804,063
1,800,732	1,532,443	5,450,281
-	340	4,163
-	1,259,873	8,238,646
-	-	34,612
-	-	93,857
<u>\$ 1,817,385</u>	<u>\$ 3,362,413</u>	<u>\$16,300,126</u>

\$ -	\$ -	\$ 198,546
-	122,801	122,801
-	414,424	414,424
-	1,221,315	1,221,315
-	-	8,976,676
(1,798,250)	5,921,494	4,864,385
-	5,927,280	5,927,280
-	818,046	818,046
<u>\$(1,798,250)</u>	<u>\$14,425,360</u>	<u>\$22,543,473</u>
<u>\$ 19,135</u>	<u>\$17,787,773</u>	<u>\$38,843,599</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Fund balances—total governmental funds		\$22,543,473
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		43,771,364
Internal service funds, net assets		1,179,324
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:		
Bonds payable	\$(10,174,980)	
Equipment purchase contract	(186,233)	
Settlement payable	(56,143)	
Accrued interest	(41,005)	
Bond discount	35,273	
Excess refunding bond costs	<u>125,639</u>	<u>(10,297,449)</u>
Net assets of governmental activities		<u>\$57,196,712</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Road Use Tax</u>
REVENUES:		
Property taxes	\$ 6,543,709	\$ -
TIF revenues	-	-
Other taxes	3,538,486	-
Licenses and permits	576,466	-
Intergovernmental	1,843,066	2,444,356
Charges for service	645,980	1,868
Fines and forfeitures	162,745	-
Use of money and property	453,222	-
Special assessments	67,086	-
Miscellaneous	366,684	-
Refunds	69,945	-
Total revenues	<u>\$14,267,389</u>	<u>\$ 2,446,224</u>
EXPENDITURES:		
Public safety	\$ 6,167,349	\$ -
Public works	927,134	1,743,268
Health & social services	513,317	-
Culture & recreation	2,157,819	-
Community & economic development	934,904	-
General government	1,819,064	-
Capital projects	1,401,118	3,319,368
Debt service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	<u>\$13,920,705</u>	<u>\$ 5,062,636</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 346,684</u>	<u>\$(2,616,412)</u>
Other financing sources (uses):		
Proceeds from general obligation bonds	\$ 690,000	\$ 500,000
Transfers in	257,920	-
Transfers out	(822,603)	(893,805)
Total other financing sources (uses)	<u>\$ 125,317</u>	<u>\$ (393,805)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 472,001</u>	<u>\$(3,010,217)</u>
Fund balance beginning of year	<u>8,695,239</u>	<u>3,759,340</u>
Fund balance end of year	<u>\$ 9,167,240</u>	<u>\$ 749,123</u>

(continued)

Community Growth TIF	Other Governmental	Total
\$ -	\$ 1,278,240	\$ 7,821,949
987,758	311,506	1,299,264
-	1,965,518	5,504,004
-	-	576,466
130,009	1,977,100	6,394,531
-	67,809	715,657
-	-	162,745
100	217,841	671,163
-	186,005	253,091
160	267,616	634,460
99	2,767	72,811
<u>\$ 1,118,126</u>	<u>\$ 6,274,402</u>	<u>\$24,106,141</u>
\$ -	\$ 870,959	\$ 7,038,308
-	487,728	3,158,130
-	18,915	532,232
-	183,508	2,341,327
754,711	2,055,094	3,744,709
-	86,353	1,905,417
2,924,608	1,949,894	9,594,988
-	2,660,020	2,660,020
-	563,568	563,568
-	20,261	20,261
<u>\$ 3,679,319</u>	<u>\$ 8,896,300</u>	<u>\$31,558,960</u>
<u>\$(2,561,193)</u>	<u>\$(2,621,898)</u>	<u>\$(7,452,819)</u>
\$ 380,000	\$ 16,128	\$ 1,586,128
1,721,205	6,520,051	8,499,176
(725,180)	(5,998,937)	(8,440,525)
<u>\$ 1,376,025</u>	<u>\$ 537,242</u>	<u>\$ 1,644,779</u>
\$(1,185,168)	\$(2,084,656)	\$(5,808,040)
<u>(613,082)</u>	<u>16,510,016</u>	<u>28,351,513</u>
<u>\$(1,798,250)</u>	<u>\$14,425,360</u>	<u>\$22,543,473</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances—total governmental funds \$(5,808,040)

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

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from sale increase financial resources. Thus, the change in fund balance differs by the cost of the capital asset sold. (70,208)

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	\$9,395,919	
Depreciation expense	<u>(2,617,763)</u>	6,778,156

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Repayments of bond principal	\$2,660,020	
Issuance of debt	(1,595,000)	
Settlement payable	(56,143)	
Accrued interest	3,614	
Discount on bonds issued	10,962	
Amortization of bond discount	(4,801)	
Amortization of excess refunding bond costs	<u>(32,073)</u>	986,579

Internal service funds net change (533,679)

Change in net assets—governmental activities \$ 1,352,808

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Property tax	\$ 6,496,009	\$ 6,496,009	\$ 6,543,709
Other tax	2,343,870	2,379,870	3,538,486
Licenses and permits	552,580	552,580	576,466
Intergovernmental	2,810,341	3,259,592	1,843,066
Charges for service	1,089,692	1,089,692	645,980
Fines and forfeitures	-	-	162,745
Use of money and property	236,600	236,600	453,222
Special assessments	-	-	67,086
Miscellaneous	706,687	854,610	366,684
Refunds	-	-	69,945
	<u>\$14,235,779</u>	<u>\$14,868,953</u>	<u>\$14,267,389</u>
EXPENDITURES:			
Current:			
Public safety	\$ 5,532,818	\$ 5,824,818	\$ 6,167,349
Public works	930,272	930,272	927,134
Health & social services	466,054	705,189	513,317
Culture & recreation	2,191,033	2,262,842	2,157,819
Community & economic development	900,430	900,430	934,904
General government	1,862,167	2,222,078	1,819,064
Debt service:			
Principal redemption	84,000	84,000	-
Capital projects	2,938,514	3,047,444	1,401,118
Total expenditures	<u>\$14,905,288</u>	<u>\$15,977,073</u>	<u>\$13,920,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (669,509)</u>	<u>\$(1,108,120)</u>	<u>\$ 346,684</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ -	\$ -	\$ 690,000
Transfers in	410,022	607,071	257,920
Transfers out	(347,396)	(347,396)	(822,603)
Total other financing sources (uses)	<u>\$ 62,626</u>	<u>\$ 259,675</u>	<u>\$ 125,317</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (606,883)</u>	<u>\$ (848,445)</u>	<u>\$ 472,001</u>
Fund balance beginning of year	<u>-</u>	<u>470,907</u>	<u>8,695,239</u>
Fund balance end of year	<u>\$ (606,883)</u>	<u>\$ (377,538)</u>	<u>\$ 9,167,240</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 47,700
1,158,616
23,886
(1,416,526)
(443,712)
162,745
216,622
67,086
(487,926)
69,945

\$ (601,564)

\$ (342,531)
3,138
191,872
105,023
(34,474)
403,014

84,000
1,646,326
\$2,056,368

\$1,454,804

\$ 690,000
(349,151)
(475,207)

\$ (134,358)

\$1,320,446

8,224,332

\$9,544,778

CITY OF MASON CITY, IOWA
ROAD USE TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Intergovernmental:			
Road use tax allocation	\$ 5,311,600	\$ 5,311,600	\$ 2,444,356
Charges for service	-	-	1,868
Total revenues	<u>\$ 5,311,600</u>	<u>\$ 5,311,600</u>	<u>\$ 2,446,224</u>
EXPENDITURES:			
Current:			
Public works:			
Personal services	\$ 857,861	\$ 857,861	\$ 897,765
Contractual	525,491	525,491	666,232
Commodities	180,310	180,310	179,271
Total public works	<u>\$ 1,563,662</u>	<u>\$ 1,563,662</u>	<u>\$ 1,743,268</u>
Capital projects	<u>\$ 4,784,533</u>	<u>\$ 4,784,533</u>	<u>\$ 3,319,368</u>
Total expenditures	<u>\$ 6,348,195</u>	<u>\$ 6,348,195</u>	<u>\$ 5,062,636</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(1,036,595)</u>	<u>\$(1,036,595)</u>	<u>\$(2,616,412)</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ -	\$ -	\$ 500,000
Transfers out	-	-	(893,805)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (393,805)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$(1,036,595)</u>	<u>\$(1,036,595)</u>	<u>\$(3,010,217)</u>
Fund balance beginning of year	-	-	3,759,340
Fund balance end of year	<u>\$(1,036,595)</u>	<u>\$(1,036,595)</u>	<u>\$ 749,123</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$(2,867,244)
1,868
\$(2,865,376)

\$ (39,904)
(140,741)
1,039
\$ (179,606)

\$ 1,465,165

\$ 1,285,559

\$(1,579,817)

\$ 500,000
(893,805)

\$ (393,805)

\$(1,973,622)

3,759,340

\$ 1,785,718

CITY OF MASON CITY, IOWA
COMMUNITY GROWTH TIF FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
TIF revenues	\$ 765,892	\$ 765,892	\$ 987,758
Intergovernmental	-	-	130,009
Use of money and property	-	-	100
Refunds	-	-	99
Miscellaneous	-	-	160
Total revenues	<u>\$ 765,892</u>	<u>\$ 765,892</u>	<u>\$ 1,118,126</u>
EXPENDITURES:			
Community & economic development:			
Personal services	\$ -	\$ -	\$ 2,678
Contractual	-	-	752,033
Total community & economic development	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 754,711</u>
Capital projects	<u>\$ -</u>	<u>\$ 1,840,322</u>	<u>\$ 2,924,608</u>
Debt service:			
Principal redemption	\$ 255,000	\$ 255,000	\$ -
Interest payments	203,680	203,680	-
Contractual	8,000	8,000	-
Total debt service	<u>\$ 466,680</u>	<u>\$ 466,680</u>	<u>\$ -</u>
Total expenditures	<u>\$ 466,680</u>	<u>\$ 2,307,002</u>	<u>\$ 3,679,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 299,212</u>	<u>\$(1,541,110)</u>	<u>\$(2,561,193)</u>
Other financing sources (uses):			
Proceeds from sale of bonds	\$ -	\$ -	\$ 380,000
Transfers in	-	1,840,322	1,721,205
Transfers out	-	-	(725,180)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 1,840,322</u>	<u>\$ 1,376,025</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 299,212</u>	<u>\$ 299,212</u>	<u>\$(1,185,168)</u>
Fund balance beginning of year	<u>-</u>	<u>-</u>	<u>(613,082)</u>
Fund balance end of year	<u>\$ 299,212</u>	<u>\$ 299,212</u>	<u>\$(1,798,250)</u>

Variance with
Amended Budget
Positive
(Negative)

\$ 221,866
130,009
100
99
160
\$ 352,234

\$ (2,678)
(752,033)

\$ (754,711)

\$(1,084,286)

\$ 255,000
203,680
8,000
\$ 466,680

\$(1,372,317)

\$(1,020,083)

\$ 380,000
(119,117)
(725,180)

\$ (464,297)

\$(1,484,380)

(613,082)

\$(2,097,462)

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2004

	<u>Waterworks</u>	<u>Sewer Rental</u>
ASSETS:		
Current assets:		
Cash	\$ 68,834	\$ -
Investments (at cost)	275,470	-
Receivables:		
Property taxes	-	-
Special assessments - current	-	33,344
Special assessments - deferred	-	19,380
Accounts	422,373	198,710
Accrued interest	546	-
Inventory	245,752	72,270
Due from other funds	107,543	26,149
Prepaid insurance	5,636	16,435
Total current assets	<u>\$ 1,126,154</u>	<u>\$ 366,288</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 33,323	\$ 300,000
Investments	750,000	500,000
Accrued interest	245	548
Due from other funds	-	111,108
Total restricted assets	<u>\$ 783,568</u>	<u>\$ 911,656</u>
Property, plant and equipment:		
Land	\$ 147,220	\$ 316,209
Buildings	1,815,116	-
Equipment	679,203	647,182
Distribution system	14,081,718	-
Meters	790,068	-
Plant and improvements	-	12,093,165
Sewer lines and lifts	-	10,751,034
Improvements	-	-
Vehicles	269,590	758,757
Construction in progress	22,048,751	-
Total	<u>\$39,831,666</u>	<u>\$24,566,347</u>
Less accumulated depreciation	(6,840,321)	(13,057,101)
Net property, plant and equipment	<u>\$32,991,345</u>	<u>\$11,509,246</u>
Total noncurrent assets	<u>\$33,774,913</u>	<u>\$12,420,902</u>
Total assets	<u>\$34,901,067</u>	<u>\$12,787,190</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 335,555	\$ 404,389	\$ 833,104
600,050	875,520	500,000
88,288	88,288	350,000
-	33,344	-
-	19,380	-
213,429	834,512	-
514	1,060	1,247
-	318,022	-
342,827	476,519	124,778
5,700	27,771	-
<u>\$ 1,586,363</u>	<u>\$ 3,078,805</u>	<u>\$ 1,809,129</u>
\$ -	\$ 333,323	\$ -
-	1,250,000	-
-	793	-
-	111,108	-
<u>\$ -</u>	<u>\$ 1,695,224</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,803,362	\$ -
1,185,278	3,000,394	-
500,306	1,826,691	67,451
-	14,081,718	-
-	790,068	-
-	12,093,165	-
2,048,279	12,799,313	-
2,942,042	2,942,042	-
1,083,693	2,112,040	93,846
-	22,048,751	-
<u>\$12,099,531</u>	<u>\$76,497,544</u>	<u>\$ 161,297</u>
(4,468,655)	(24,366,077)	(77,847)
<u>\$ 7,630,876</u>	<u>\$52,131,467</u>	<u>\$ 83,450</u>
\$ 7,630,876	\$53,826,691	\$ 83,450
<u>\$ 9,217,239</u>	<u>\$56,905,496</u>	<u>\$ 1,892,579</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2004

	<u>Waterworks</u>	<u>Sewer Rental</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 229,638	\$ 86,098
Salaries payable	29,876	23,494
Contracts payable	1,575,443	-
Accrued vacation payable	65,400	55,185
Accrued interest payable	43,608	10,640
Due to other funds	33,019	292,643
Due to state government	13,019	-
Due to customers	28,325	-
General obligation notes	-	-
Revenue bonds	1,088,000	330,000
Capital leases	-	-
Prepaid interments	-	-
Deferred revenue	84,729	19,380
Total current liabilities	<u>\$ 3,191,057</u>	<u>\$ 817,440</u>
Long-term liabilities:		
General obligation notes	\$ -	\$ -
Revenue bonds	13,334,316	2,315,000
Capital leases	-	-
Unamortized bond discount	(160,346)	-
Total long-term liabilities	<u>\$13,173,970</u>	<u>\$ 2,315,000</u>
Total liabilities	<u>\$16,365,027</u>	<u>\$ 3,132,440</u>
Net assets:		
Invested in capital assets, net of related debt	\$18,729,375	\$ 8,864,246
Restricted for:		
Bond retirement	783,568	911,656
Capital projects	-	-
Unrestricted	<u>(976,903)</u>	<u>(121,152)</u>
Total net assets	<u>\$18,536,040</u>	<u>\$ 9,654,750</u>

Adjustment to reflect the consolidation of internal
 service fund activities related to enterprise funds

Net assets of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 120,999	\$ 436,735	\$ 621,352
45,515	98,885	4,022
-	1,575,443	-
58,486	179,071	8,848
3,250	57,498	-
82,140	407,802	142,947
1,371	14,390	-
-	28,325	-
66,007	66,007	-
-	1,418,000	-
91,096	91,096	-
28,452	28,452	-
88,906	193,015	364,174
<u>\$ 586,222</u>	<u>\$ 4,594,719</u>	<u>\$ 1,141,343</u>
\$ 429,673	\$ 429,673	\$ -
-	15,649,316	-
399,894	399,894	-
-	(160,346)	-
<u>\$ 829,567</u>	<u>\$16,318,537</u>	<u>\$ -</u>
<u>\$ 1,415,789</u>	<u>\$20,913,256</u>	<u>\$ 1,141,343</u>
\$ 7,079,886	\$34,673,507	\$ 83,450
-	1,695,224	-
435,680	435,680	-
<u>285,884</u>	<u>(812,171)</u>	<u>667,786</u>
<u>\$ 7,801,450</u>	<u>\$35,992,240</u>	<u>\$ 751,236</u>
	<u>(428,088)</u>	
	<u>\$35,564,152</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Waterworks</u>	<u>Sewer Rental</u>
Operating revenues:		
Charges for service	\$ 3,542,206	\$ 2,014,835
Health insurance contributions	-	-
Total operating revenues	<u>\$ 3,542,206</u>	<u>\$ 2,014,835</u>
Operating expenses:		
Business type activities:		
Personal service	\$ 1,061,469	\$ 812,561
Contractual	620,183	392,339
Commodities	496,281	275,841
Other	293	10,718
Depreciation	469,509	685,579
Amortization	15,304	-
Total operating expenses	<u>\$ 2,663,039</u>	<u>\$ 2,177,038</u>
Operating income (loss)	<u>\$ 879,167</u>	<u>\$ (162,203)</u>
Nonoperating revenues (expenses):		
Property taxes	\$ -	\$ -
Fines and forfeitures	-	-
Use of money and property	49,864	10,556
Special assessments	-	13,312
Miscellaneous	1,759	2,656
Interest	(19,583)	(141,275)
Loss on disposal of assets	-	-
Total nonoperating revenue (expense)	<u>\$ 32,040</u>	<u>\$ (114,751)</u>
Income (loss) before contributions and transfers	<u>\$ 911,207</u>	<u>\$ (276,954)</u>
Contributions and transfers:		
Transfers in	\$ -	\$ 516,718
Transfers out	(311,018)	(309,300)
Capital contributions	3,127,944	86,480
Total contributions and transfers	<u>\$ 2,816,926</u>	<u>\$ 293,898</u>
Change in net assets	\$ 3,728,133	\$ 16,944
Net assets beginning of year	<u>14,807,907</u>	<u>9,637,806</u>
Net assets end of year	<u>\$18,536,040</u>	<u>\$ 9,654,750</u>

Adjustment to reflect the consolidation of internal
 service fund activities related to enterprise funds

Change in net assets of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 1,594,931	\$ 7,151,972	\$ 187,053
-	-	1,257,998
<u>\$ 1,594,931</u>	<u>\$ 7,151,972</u>	<u>\$ 1,445,051</u>
\$ 1,063,945	\$ 2,937,975	\$ 2,157,633
453,522	1,466,044	16,323
152,223	924,345	14,131
9,772	20,783	-
207,978	1,363,066	13,135
-	15,304	-
<u>\$ 1,887,440</u>	<u>\$ 6,727,517</u>	<u>\$ 2,201,222</u>
<u>\$ (292,509)</u>	<u>\$ 424,455</u>	<u>\$ (756,171)</u>
\$ 83,372	\$ 83,372	\$ -
27,057	27,057	-
4,998	65,418	22,498
-	13,312	-
29,775	34,190	-
(7,692)	(168,550)	-
(6,982)	(6,982)	-
<u>\$ 130,528</u>	<u>\$ 47,817</u>	<u>\$ 22,498</u>
<u>\$ (161,981)</u>	<u>\$ 472,272</u>	<u>\$ (733,673)</u>
\$ 44,949	\$ 561,667	\$ -
-	(620,318)	-
75,252	3,289,676	-
<u>\$ 120,201</u>	<u>\$ 3,231,025</u>	<u>\$ -</u>
\$ (41,780)	\$ 3,703,297	\$ (733,673)
<u>7,843,230</u>		<u>1,484,909</u>
<u>\$ 7,801,450</u>		<u>\$ 751,236</u>
	<u>(199,994)</u>	
	 <u>\$ 3,503,303</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2004

	<u>Waterworks</u>	<u>Sewer Rental</u>
Cash flows from operating activities:		
Cash received from interfund charges	\$ -	\$ -
Cash received from employees and others	-	-
Cash received from customers	3,790,399	2,057,656
Cash paid to employees for services	(1,046,680)	(803,759)
Cash paid to other suppliers of goods or services	(1,293,938)	(621,707)
Cash paid for health and life insurance	-	-
Proceeds from miscellaneous items	1,759	15,968
Net cash provided (used) by operating activities	<u>\$ 1,451,540</u>	<u>\$ 648,158</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	<u>\$ -</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Net acquisition of fixed assets	\$(13,265,940)	\$ (312,885)
Principal payments	(1,049,000)	(310,000)
Interest payments	(379,007)	(142,511)
Proceeds from issuance of bonds	9,032,586	-
Capital contributions	2,911,361	-
Net cash provided (used) for capital and related financing activities	<u>\$ (2,750,000)</u>	<u>\$ (765,396)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 2,200,000	\$ 1,000,000
Purchase of investments	(1,750,000)	(1,500,000)
Interest received	18,947	11,662
Rent received	31,688	-
Net cash provided (used) by investing activities	<u>\$ 500,635</u>	<u>\$ (488,338)</u>
Net increase (decrease) in cash	\$ (797,825)	\$ (605,576)
Cash beginning of year	<u>899,982</u>	<u>905,576</u>
Cash end of year	<u>\$ 102,157</u>	<u>\$ 300,000</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$1,196,040
-	-	161,981
1,596,959	7,445,014	-
(1,037,367)	(2,887,806)	(139,624)
(428,254)	(2,343,899)	(26,693)
-	-	(2,079,748)
<u>(213,645)</u>	<u>(195,918)</u>	<u>-</u>
\$ <u>(82,307)</u>	\$ <u>2,017,391</u>	\$ <u>(888,044)</u>
\$ <u>83,828</u>	\$ <u>83,828</u>	\$ <u>-</u>
\$ (745,579)	\$ (14,324,404)	\$ (9,950)
(30,000)	(1,389,000)	-
(4,845)	(526,363)	-
926,670	9,959,256	-
<u>-</u>	<u>2,911,361</u>	<u>-</u>
\$ <u>146,246</u>	\$ <u>(3,369,150)</u>	\$ <u>(9,950)</u>
\$ 1,000,000	\$ 4,200,000	\$2,500,000
(1,200,000)	(4,450,000)	(2,050,000)
28,360	58,969	23,464
<u>8,800</u>	<u>40,488</u>	<u>-</u>
\$ <u>(162,840)</u>	\$ <u>(150,543)</u>	\$ <u>473,464</u>
\$ (15,073)	\$ (1,418,474)	\$ (424,530)
<u>350,628</u>	<u>2,156,186</u>	<u>1,257,634</u>
<u>\$ 335,555</u>	<u>\$ 737,712</u>	<u>\$ 833,104</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2004

	<u>Waterworks</u>	<u>Sewer Rental</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 879,167	\$ (162,203)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	484,813	685,579
Miscellaneous income	1,759	15,968
Change in assets and liabilities:		
(Increase) decrease in receivables	7,386	9,895
(Increase) decrease in inventory	15,362	(26,721)
(Increase) decrease in due from other funds	32,512	(111,108)
(Increase) decrease in prepaid insurance	7,388	7,174
Increase (decrease) in accounts and contracts payable	65,517	(7,911)
Increase (decrease) in salaries payable	9,726	6,839
Increase (decrease) in accrued vacation payable	7,571	1,878
Increase (decrease) in due to other funds	10,350	209,388
Increase (decrease) in due to state government	2,938	-
Increase (decrease) in due to customers	7,068	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	<u>(80,017)</u>	<u>19,380</u>
 Net cash provided (used) by operating activities	 <u>\$1,451,540</u>	 <u>\$ 648,158</u>
 Noncash investing, capital and financing activities:		
Developer contributions:		
Water, sanitary sewer and storm sewer lines	\$ 136,566	\$ 86,480

See Accompanying Independent Auditor's Report.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ (292,509)	\$ 424,455	\$ (756,171)
207,978	1,378,370	13,135
56,832	74,559	-
(55,871)	(38,590)	-
320	(11,039)	-
(122,640)	(201,236)	(77,869)
610	15,172	-
41,591	99,197	(59,725)
21,887	38,452	948
4,514	13,963	1,075
49,982	269,720	(8,723)
147	3,085	-
-	7,068	-
3,952	3,952	-
<u>900</u>	<u>(59,737)</u>	<u>(714)</u>
<u>\$ (82,307)</u>	<u>\$2,017,391</u>	<u>\$(888,044)</u>
\$ 75,252	\$ 298,298	\$ -

CITY OF MASON CITY, IOWA
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2004

	<u>Policemen's Pension</u>	<u>Firemen's Pension</u>	<u>Agency Fund</u>	<u>Total</u>
ASSETS:				
Cash	\$ -	\$32,492	\$ 520	\$33,012
Receivables:				
Property taxes	-	87	-	87
Total assets	<u>\$ -</u>	<u>\$32,579</u>	<u>\$ 520</u>	<u>\$33,099</u>
LIABILITIES:				
Accounts payable	<u>-</u>	<u>-</u>	<u>520</u>	<u>520</u>
NET ASSETS:				
Held in trust for pension benefits	<u><u>\$ -</u></u>	<u><u>\$32,579</u></u>	<u><u>\$ -</u></u>	<u><u>\$32,579</u></u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Policemen's Pension</u>	<u>Firemen's Pension</u>	<u>Total</u>
ADDITIONS:			
Property taxes	\$ 3,901	\$ 3,696	\$ 7,597
Use of money and property	-	64	64
Transfers in	-	6,098	6,098
Total additions	<u>\$ 3,901</u>	<u>\$ 9,858</u>	<u>\$13,759</u>
DEDUCTIONS:			
Public safety:			
Benefits paid	\$ -	\$10,832	\$10,832
Transfers out	6,098	-	6,098
Total deductions	<u>\$ 6,098</u>	<u>\$10,832</u>	<u>\$16,930</u>
Change in net assets	\$(2,197)	\$ (974)	\$(3,171)
Net assets beginning of year	<u>2,197</u>	<u>33,553</u>	<u>35,750</u>
Net assets end of year	<u><u>\$ -</u></u>	<u><u>\$32,579</u></u>	<u><u>\$32,579</u></u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Financial Reporting Entity

The City of Mason City is a political subdivision of the State of Iowa. It was first incorporated on December 21, 1869 and operates under the Home Rule Provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government and provides for public safety, highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, public transit and general administrative services.

For financial reporting purposes, the City of Mason City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Mason City has determined the MacNider Art Museum Foundation meets the Governmental Accounting Standards Board criteria for a blended component unit and, accordingly, has been included in special revenue funds. The directors of the foundation are appointed by the directors of the museum who are appointed by the Mayor and approved by the Council.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cerro Gordo County Assessor's Conference Board, City of Mason City's City Assessor's Conference Board, Cerro Gordo County Emergency Management Commission, Landfill of North Iowa Board and Cerro Gordo County Joint E911 Service Board.

(2) Summary of Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

(A) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services,

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(2) Summary of Significant Accounting Policies - continued

or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

(B) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Substantially all shared revenues are recorded when the underlying exchange transaction has occurred. For governmental funds revenue from grant revenues is recorded as deferred revenue until they become available.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(2) Summary of Significant Accounting Policies - continued

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. Income from accounts receivables and unbilled usage is recognized when earned. Licenses and permits, fines and forfeiture fees and refunds, charges for services (other than enterprise), miscellaneous and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment receivables are recorded at the time of their levy. The related revenue is recognized at the time it is due in the governmental funds and when levied for government-wide statements.

The City of Mason City reports the following major governmental funds:

General Fund

The General Fund accounts for all the financial resources of the City, except for those required to be accounted for by other funds. The revenues of the General Fund are primarily derived from general property taxes, charges for services, fines and forfeitures, licenses and permits, and certain revenues from state and federal sources. The expenditures of the General Fund primarily relate to general administration, police and fire protection, streets and public buildings operation and maintenance, and parks and recreation oriented activities.

Road Use Tax Fund

The Road Use Tax Fund accounts for the operations of the street maintenance department. Financing is provided by the City's share of state gasoline taxes. State law requires these taxes to be used to maintain streets.

Community Growth TIF Fund

This fund accounts for the construction and debt service related to various TIF projects throughout the city. Repayment is through TIF district revenues.

The City reports the following major proprietary funds:

Water Fund

The Water Fund accounts for the operation and maintenance of the City's water system.

Sanitary Sewer Fund

The Sanitary Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(2) Summary of Significant Accounting Policies - continued

Additionally, the City reports the following fund types:

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

Special revenue funds account for revenues derived from specific sources which are required to be accounted for as separate funds.

The Debt service fund accounts for the accumulation of resources for, and the payment of, long-term and special debt principal, interest, and related costs.

Fiduciary funds account for assets held by the City in a trustee or agency capacity for others and cannot be used to support the City's own programs. The City's fiduciary funds consist of:

Agency funds, which are custodial in nature, report on assets and liabilities and do not involve measurement of the results of operations.

Other enterprise funds account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing goods or services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has six funds classified as other enterprise funds and they are as follows: cemetery, solid waste disposal, storm sewer, golf course, parking lots and ambulance.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(2) Summary of Significant Accounting Policies - continued

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 proprietary funds are user fees and charges to customers for sales and services. Operating expenses for proprietary 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 non-operating 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.

(C) Assets, liabilities and net assets or equity

Cash Management and Investments

The City maintains one primary demand deposit account through which the majority of the City's cash resources are processed. The City's cash and cash equivalents includes amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the City.

Investments are stated at fair value except for nonnegotiable certificates of deposit which are carried at cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust which is a 2a7 - like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

The Code of Iowa requires all investment income of the Road Use Tax Special Revenue Fund to be recorded as General Fund revenue. \$22,843 and \$52,064 of investment income for the years ended June 30, 2004 and 2003, respectively, were recorded in this manner.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(2) Summary of Significant Accounting Policies - continued

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes receivable are recognized at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. All City property taxes must be certified to the Cerro Gordo County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. The county auditor is then required to place these city taxes upon the tax list. This levying of property taxes procedurally occurs during June prior to the fiscal year for which the taxes are to be collected. The property taxes actually become an enforceable lien against the property when the budget is certified.

Property taxes levied by the Cerro Gordo County Auditor for the year ended June 30, 2004, were due by July 1, 2003, with the first half installment being delinquent after September 30, 2003, and the second half installment being delinquent after March 31, 2004. Any collections remitted to the City within thirty days subsequent to year end are recorded as property tax revenue. The current tax receivable represents the 2004 levy certified on March 15, 2004, based on 2003 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2005, the revenue has been recorded as deferred revenue.

Inventories and Prepaid Items

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. All inventories are carried at lower of cost or market (first-in, first-out). The consumption method of accounting is applied to the business-type inventories.

Restricted Assets

Assets within the individual funds which can be designated by the City Council for any use within the fund's purpose are considered to be unrestricted assets. Assets which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such.

Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, and machinery and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(2) Summary of Significant Accounting Policies - continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year ended June 30, 2004, \$385,425 of interest was added to the cost of assets acquired in the business-type activities.

Buildings, improvements other than buildings, and machinery and equipment of the primary government, as well as component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	20 to 50 years
Improvements other than buildings	5 to 100 years
Machinery and equipment	3 to 20 years
Infrastructure	10 to 45 years

Collections such as library books and museum exhibits are held for public exhibition, education, or research in the furtherance of public service rather than financial gain, protected, kept unencumbered, cared for, and preserved, and are subject to an organizational policy that requires the proceeds from sales of collections to be used to acquire other items for collections or access to the collections and, therefore, are not capitalized.

Compensated Absences

City employees earn vacation and sick leave at rates dependent on years of service. Sick leave may be accumulated up to 960 hours but is forfeited if not used. Therefore, no accrual is recorded for accrued sick leave. Vacation leave is vested as earned, but must be used within one year or is forfeited. The City records these accumulations in the fund in which they are earned for governmental type funds as the City anticipates paying these accruals from expendable available financial resources. For proprietary type funds, these accumulations are recorded as liabilities.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(2) Summary of Significant Accounting Policies - continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(D) Budgetary control, compliance and appropriation data

The City prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for all funds except fiduciary funds. The statutory level of control is on the program level for all funds rather than at the individual fund level. The City's budget as prescribed by the Code of Iowa must contain the following:

- a. Expenditures for each program:
 - Public Safety
 - Public Works
 - Health and Social Services
 - Culture and Recreation
 - Community and Economic Development
 - General Government
 - Debt Service
 - Capital Projects
- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation

City Council action to legally enact the budget goes beyond the State requirement and includes budgets for individual funds except fiduciary funds. The City budget is prepared and reported on a modified accrual basis of accounting.

A City budget may be amended for any of the following purposes:

- a. To permit the appropriation and expenditure of unexpended unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated to be available from sources other than property taxation.
- c. To permit transfers between funds as prescribed by state law.
- d. To permit transfers between programs.

A budget amendment must be prepared and adopted in the same manner as the original budget. Management has no authority to amend the budget other than as directed by the City Council; furthermore, it is the City Council's policy that only state required budget amendments will be adopted. The City's budget was amended as prescribed and the effect of that amendment is shown in the following table.

**CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

(2) Summary of Significant Accounting Policies - continued

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2004 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 6,379,028	\$ 292,000	\$ 6,671,028	\$ 7,038,308
Public Works	2,990,344	852,605	3,842,949	3,158,130
Health and Social Services	496,305	239,135	735,440	532,232
Culture and Recreation	2,735,459	240,739	2,976,198	2,341,327
Community and Economic Development	3,309,782	220,000	3,529,782	3,744,709
General Government	1,957,181	359,911	2,317,092	1,905,417
Debt Service	2,995,220	2,954,010	5,949,230	3,243,849
Capital Projects	8,921,521	7,514,072	16,435,593	9,594,988
Business Type	16,342,710	4,073,700	20,416,410	6,903,049
Total	<u>\$46,127,550</u>	<u>\$16,746,172</u>	<u>\$62,873,722</u>	<u>\$38,462,009</u>

The fiscal year 2004 budget amendment resulted in an overall increase in the appropriation.

(E) Unbilled Revenues

The Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds accrue unbilled revenues for services rendered subsequent to the last billing date and prior to year-end based upon the number of days unbilled compared to the first billing subsequent to year-end. At June 30, 2004 unbilled utility receivables for the Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds were included in accounts receivable and totaled approximately \$242,412, \$140,864, \$11,818 and \$54,123, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the City or the City's agent in the City's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(3) Cash and Investments - continued

The City's investments in the Iowa Public Agency Investment Trust are valued at an amortized cost of \$1,576,921 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The carrying amount and fair value of the City's investments at June 30, 2004 are as follows:

	<u>Category</u>	<u>Fair Value</u>
U.S. Government securities	1	\$ 5,377,284
Equity securities	1	566,808
		<u>\$ 5,944,092</u>
Investments not subject to risk categorization:		
Iowa Public Agency Investment Trust		1,576,921
Nonnegotiable certificates of deposit classified as investments		<u>11,607,034</u>
Total		<u>\$19,128,047</u>
Less: Restricted investments		<u>1,642,918</u>
Total unrestricted investments per balance sheet		<u>\$17,485,129</u>

(4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2004 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$ 671,468	\$1,799,773
Road Use Tax	32,851	317,333
Community Growth TIF	-	1,800,732
Nonmajor funds	4,584,306	1,532,443
Internal Service funds	<u>124,778</u>	<u>142,947</u>
Total governmental	<u>\$5,413,403</u>	<u>\$5,593,228</u>
Business-Type:		
Waterworks	\$ 218,651	\$ 33,019
Sewer Rental	26,149	292,643
Nonmajor funds	<u>342,827</u>	<u>82,140</u>
Total business-type	<u>\$ 587,627</u>	<u>\$ 407,802</u>
Total due to/from other funds	<u>\$6,001,030</u>	<u>\$6,001,030</u>

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of \$5,203,169. The remainder of these balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In general, these balances will be repaid within one year from year end.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

(5) Interfund Transfers

Operating transfers in and out for the year ended June 30, 2003 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General	\$ 257,920	\$ 822,603
Road Use Tax	-	893,805
Community Growth TIF	1,721,205	725,180
Nonmajor funds	<u>6,520,051</u>	<u>5,998,937</u>
Total governmental	<u>\$8,499,176</u>	<u>\$8,440,525</u>
Business-Type:		
Waterworks	\$ -	\$ 311,018
Sewer Rental	516,718	309,300
Nonmajor funds	<u>44,949</u>	<u>-</u>
Total business-type	<u>\$ 561,667</u>	<u>\$ 620,318</u>
Total due to/from other funds	<u>\$9,060,843</u>	<u>\$9,060,843</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,410,767	\$ 301,258	\$ -	\$ 1,712,025
Construction in progress	<u>3,151,512</u>	<u>5,175,166</u>	<u>3,151,512</u>	<u>5,175,166</u>
Total capital assets, not being depreciated	<u>\$ 4,562,279</u>	<u>\$5,476,424</u>	<u>\$3,151,512</u>	<u>\$ 6,887,191</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 8,102,734	\$ 128,488	\$ 26,603	\$ 8,204,619
Improvements other than buildings	4,826,705	3,376,210	-	8,202,915
Machinery and equipment	3,568,436	362,115	50,574	3,879,977
Vehicles	5,857,750	323,444	194,720	5,986,474
Infrastructure	<u>35,589,976</u>	<u>2,834,083</u>	<u>-</u>	<u>38,424,059</u>
Total capital assets being depreciated	<u>\$57,945,601</u>	<u>\$7,024,340</u>	<u>\$ 271,897</u>	<u>\$64,698,044</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(6) Capital Assets - continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 5,209,919	\$ 157,892	\$ 19,577	\$ 5,348,234
Improvements other than buildings	2,374,019	468,123	-	2,842,142
Machinery and equipment	2,223,841	347,519	38,733	2,532,627
Vehicles	3,594,134	440,570	143,379	3,891,325
Infrastructure	11,899,299	1,216,794	-	13,116,093
Total accumulated depreciation	<u>\$25,301,212</u>	<u>\$2,630,898</u>	<u>\$ 201,689</u>	<u>\$27,730,421</u>
Total capital assets, being depreciated, net	<u>\$32,644,389</u>	<u>\$4,393,442</u>	<u>\$ 70,208</u>	<u>\$36,967,623</u>
Governmental activities capital assets, net	<u>\$37,206,668</u>	<u>\$9,869,866</u>	<u>\$3,221,720</u>	<u>\$43,854,814</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 292,647
Public works	1,861,789
Health and social services	10,123
Culture and recreation	315,636
Community and economic development	76,665
General government	60,903
Internal service funds depreciation is charged to various functions based on their usage of assets	13,135
Total depreciation expense-governmental activities	<u>\$2,630,898</u>

Business-type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,803,362	\$ -	\$ -	\$ 4,803,362
Construction in progress	10,201,468	12,063,930	216,647	22,048,751
Total capital assets, not being depreciated	<u>\$15,004,830</u>	<u>\$12,063,930</u>	<u>\$ 216,647</u>	<u>\$26,852,113</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 2,997,327	\$ 3,067	\$ -	\$ 3,000,394
Improvements other than buildings	2,887,483	54,559	-	2,942,042
Machinery and equipment	1,620,688	284,545	78,542	1,826,691
Vehicles	1,682,663	626,353	196,976	2,112,040
Collection and distribution systems	38,381,524	1,426,423	43,683	39,764,264
Total capital assets being depreciated	<u>\$47,569,685</u>	<u>\$ 2,394,947</u>	<u>\$ 319,201</u>	<u>\$49,645,431</u>

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

(6) Capital Assets - continued

Less accumulated depreciation for:				
Buildings and structures	\$ 1,124,064	\$ 78,253	\$ -	\$ 1,202,317
Improvements other than buildings	2,682,727	23,914	-	2,706,641
Machinery and equipment	1,300,338	80,091	76,618	1,303,811
Vehicles	1,113,563	98,997	120,919	1,091,641
Collection and distribution systems	<u>17,023,539</u>	<u>1,081,811</u>	<u>43,683</u>	<u>18,061,667</u>
Total accumulated depreciation	<u>\$23,244,231</u>	<u>\$ 1,363,066</u>	<u>\$ 241,220</u>	<u>\$24,366,077</u>
Total capital assets, being depreciated, net	<u>\$24,325,454</u>	<u>\$ 1,031,881</u>	<u>\$ 77,981</u>	<u>\$25,279,354</u>
Business-type activities capital assets, net	<u>\$39,330,284</u>	<u>\$13,095,811</u>	<u>\$ 294,628</u>	<u>\$52,131,467</u>

Depreciation expense was charged to the following business-type activities:

Business-type activities:	
Water works	\$ 469,509
Sewer rental	685,579
Other business-type funds	<u>207,978</u>
Total depreciation expense-business-type activities	<u>\$1,363,066</u>

(7) Pension and Retirement Systems

The City maintains four pension plans for employees in various departments.

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$395,938, \$378,340, and \$359,709 respectively, equal to the required contribution for each year.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

(7) Pension and Retirement Systems

Municipal Fire and Police Retirement System of Iowa

(A) Plan Description

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a multi-employer, cost sharing, defined benefit pension plan for the exclusive benefit of eligible employees of participating cities (substantially all full-time employees of the respective cities' fire and police departments). MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information for MFPRSI. The financial report may be obtained by writing to the Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Des Moines, IA 50322 or by calling 1-515-254-9200.

Member contribution rates are established by statute. For the fiscal year ended June 30, 2004, members contributed 9.35% of regular earnable compensation and the City contributed 20.48% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2004, 2003 and 2002 were \$711,969, \$554,567, and \$540,441 respectively, equal to the required contributions for each year.

Policemen and Firemen Pension Plans

(A) Plan Description

The City maintains a contributory defined benefit pension plan for those individuals previously covered under the provisions of Chapter 410 of the Iowa Code. These plans are funded from pension fund reserves. All participants in the plans are presently retired. No information is available regarding actuarially computed liability or assets. As of June 30, 2004, there are no beneficiaries receiving benefits in the police plan and one individual receiving benefits in the fire plan.

A summary of financial information relating to the plans as of June 30, 2004 is as follows:

	<u>Police</u>	<u>Fire</u>
Cash and investments	\$ -	\$32,492
Fund equity	-	32,579
Property tax revenue	3,901	3,696
Pensions paid	-	10,832

(B) Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues for the period.

Method Used to Value Investments

Investments, if any, are non-participating certificates of deposit and are valued at historical cost.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(7) Pension and Retirement Systems - continued

(C) Trend Information

Policemen Pension Plan

Fiscal Year	Revenues			Totals	Expenses
	Investment Income	Property Taxes	Benefits		
2004	\$ -	\$3,901	\$3,901	\$ -	
2003	-	7,430	7,430	6,130	
2002	-	6,681	6,681	6,188	
2001	-	4,866	4,866	5,946	
2000	-	-	-	5,704	

Firemen Pension Plan

Fiscal Year	Revenues			Totals	Expenses
	Investment Income	Property Taxes	Benefits		
2004	\$ 64	\$3,696	\$3,760	\$10,832	
2003	723	-	723	10,546	
2002	2,659	86	2,745	10,166	
2001	3,113	-	3,113	9,769	
2000	3,378	-	3,378	9,332	

(8) Deferred Compensation Plan

The City offers its employees several deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency and participation in the plan is optional.

The City does not own or administer the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the general purpose financial statements.

(9) Long-Term Debt

Long-term debt of the City is as follows:

	<u>Governmental</u>	<u>Business-Type</u>
7.0% Taxable General Obligation bond payable, issued 12/1/93	\$ 255,000	\$ -
4.85% Essential Corporate Purpose bond payable, issued 12/1/93	115,000	-
4.9% Essential Corporate Purpose bond payable, issued 6/1/95	95,000	-
7.6% to 7.75% Taxable General Obligation bond payable, issued 9/1/94	520,000	-
5% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 6/1/03	740,000	-

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(9) Long-Term Debt - continued

	<u>Governmental</u>	<u>Business-Type</u>
4.0% to 5.6% Taxable Urban Renewal Tax Increment Revenue Bond Payable, issued 4/01/03	\$ 1,955,000	\$ -
2.5% to 4.05% Corporate Purpose bond payable, issued 10/01/02	3,985,000	-
4.05% to 4.25% Essential Corporate Purpose bond payable, issued 4/1/01, callable after 6/1/06 at par	370,000	-
4.5% Capital Lease payable, issued 1/21/03	186,233	-
7.6% to 7.8% Taxable General Obligation Capital Loan note issued 6/1/00, callable 6/1/09 at par	585,000	-
2.0% to 4.0% Essential Corporate Purpose bond payable, issued 10/1/03	1,215,000	-
5.0% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 7/3/03	339,980	-
8.0% Settlement note payable, issued 8/19/04	75,000	-
4.62% Sewer Revenue bond payable, issued 12/2/92	-	1,995,000
5.3% to 5.5% Sewer Revenue bond payable, issued 6/1/95	-	650,000
5.6% Water Revenue bond payable, issued 12/1/92	-	415,000
3.0% Water Revenue Capital loan note payable, issued 2/26/03, callable 6/01/13 at par	-	13,846,970
5.4% to 5.5% General Obligation Capital Loan note payable, issued 5/1/94	-	60,000
4.125% General Obligation Capital loan note payable, issued 5/5/04	-	435,680
3.72% Capital Lease payable, issued 5/26/04	-	490,990
Totals	<u>\$10,436,213</u>	<u>\$17,893,640</u>

Bonded Debt

General Obligation Debt

General obligation bonds are direct obligations issued on a pledge of the general taxing power of the City for the payment of the debt.

There were \$7,635,680 of general obligation bonds outstanding as of June 30, 2004. Unmatured general obligation bonds to be paid by governmental funds totaled \$7,140,000. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$495,680.

During the year ended June 30, 2004, the City issued \$1,215,000 of general obligation bonds. These bonds were used to finance the construction, reconstruction and repair of various public works and utility-related improvements.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

(9) Long-Term Debt - continued

Water and Sewer Revenue Debt

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. There were \$16,906,970 of revenue bonds outstanding as of June 30, 2004. The City, as a requirement of the bonds, maintains certain reserve requirements while these bonds are outstanding. These reserves include a) one-twelfth of the annual interest and principal due in the succeeding year plus b) the lesser of 10% of the original note proceeds or the maximum amount of principal and interest due in any remaining year of the individual issue or 25% of the amount required to be deposited to a) since issue of the bond. One bond also requires the reservation of an improvement amount equal to the lesser of \$5,000 times the number of months since issuance or \$250,000. The combined total required to be reserved is \$1,546,072. The City has reserved \$1,688,155 as of June 30, 2004.

Tax Increment Financing Revenue Debt

The City issues bonds to finance its contribution to various development projects in the tax increment districts. The principal and interest on the bonds are paid with the additional taxes generated by the various development projects. As of June 30, 2004, there were \$3,034,980 of tax increment financing bonds outstanding.

Long-term liability activity for the year ended June 30, 2004, was as follows:

	July 1, 2003	New Issues	Payments	June 30, 2004	Due Within One Year
General obligation:					
Governmental	\$ 8,345,000	\$ 1,215,000	\$ 2,420,000	\$ 7,140,000	\$ 825,000
Business-type activities:					
Golf Course	90,000	-	30,000	60,000	30,000
Ambulance	-	435,680	-	435,680	36,007
Revenue:					
Governmental tax increment financing	2,895,000	380,000	240,020	3,034,980	315,708
Business-type:					
Water	6,263,080	9,032,586	1,033,696	14,261,970	1,088,000
Sewer	2,955,000	-	310,000	2,645,000	330,000
Total	<u>\$20,548,080</u>	<u>\$11,063,266</u>	<u>\$4,033,716</u>	<u>\$27,577,630</u>	<u>\$2,624,715</u>

At June 30, 2004, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation - real property	<u>\$1,320,975,329</u>
Debt limit - 5% of total valuation	\$ 66,048,766
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>10,361,213</u>
Legal debt margin	<u>\$ 55,687,553</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(9) Long-Term Debt - continued

A summary of bond principal and interest maturities by type of bond is as follows:

June 30,	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 825,000	\$ 299,215	\$ 66,007	\$ 22,222	\$ 891,007	\$ 321,437
2006	775,000	263,142	67,508	17,754	842,508	280,896
2007	930,000	228,499	39,071	14,541	969,071	243,040
2008	660,000	184,549	40,699	12,912	700,699	197,461
2009	590,000	158,808	42,395	11,216	632,395	170,024
2010-2014	2,685,000	423,376	240,000	28,058	2,925,000	451,434
2015-2019	675,000	68,009	-	-	675,000	68,009
2020-2023	-	-	-	-	-	-
	<u>\$7,140,000</u>	<u>\$1,625,598</u>	<u>\$ 495,680</u>	<u>\$ 106,703</u>	<u>\$7,635,680</u>	<u>\$1,732,301</u>

June 30,	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 315,708	\$ 148,767	\$ 1,418,000	\$ 658,250	\$1,733,708	\$ 807,017
2006	317,312	133,963	1,033,000	599,030	1,350,312	732,993
2007	328,950	119,125	1,069,000	561,908	1,397,950	681,033
2008	345,670	103,754	1,111,000	523,339	1,456,670	627,093
2009	157,450	87,625	1,153,000	483,141	1,310,450	570,766
2010-2014	864,890	321,649	4,995,000	1,821,429	5,859,890	2,143,078
2015-2019	705,000	99,283	4,804,000	1,099,050	5,509,000	1,198,333
2020-2023	-	-	1,293,970	333,960	1,293,970	333,960
	<u>\$3,034,980</u>	<u>\$1,014,166</u>	<u>\$16,876,970</u>	<u>\$6,080,107</u>	<u>\$19,911,950</u>	<u>\$7,094,273</u>

Changes in Other Long-Term Liabilities

Other long-term liability activity for the year ended June 30, 2004, was as follows:

Governmental activities:

	July 1, 2003	New Issues	Payments	June 30, 2004	Due Within One Year
Governmental activities:					
Capital leases	\$243,043	\$ -	\$56,810	\$186,233	\$59,366
Settlement note payable	-	75,000	-	75,000	18,857
Business-type activities:					
Capital leases	-	490,990	-	490,990	91,096
	<u>\$243,043</u>	<u>\$565,990</u>	<u>\$56,810</u>	<u>\$752,223</u>	<u>\$169,319</u>

Industrial Revenue Bonds

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2004, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$4,900,000.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(9) Long-Term Debt - continued

Bonds authorized and unissued

At June 30, 2004, the City had not drawn \$3,079,334 of authorized water revenue debt from the Iowa Department of Natural Resources water revolving debt fund. The City anticipates drawing the remaining debt during the subsequent year. The debt is being used to finance the water distribution radium removal project.

Defeased Bonds Outstanding

In the prior year, the City issued refunding bonds to defease certain outstanding bonds for the purpose of allowing additional debt to be issued which would have been precluded if the existing issue was not refunded. The City has placed the proceeds from the refunding issues in an irrevocable escrow account with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from this earlier issue will not be actually retired until maturity as this is not a callable issue. On June 30, 2004, \$595,000 of bonds outstanding are considered defeased.

(10) Contingent Liabilities

The City is a defendant in several lawsuits. The City Attorney estimates that the potential claims not covered by insurance resulting from these claims would not materially affect the financial position of the City.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Sales and payroll taxes collected from customers and employees respectively, are subject to audit by federal and state governments. Any adjustments in these amounts may constitute a liability of the City. The amount of changes, if any, made by federal or state governments cannot be determined at this time.

(11) Risk Management

As of July 1, 1993 the City established a self-insured medical plan for City employees and families. The plan is administered by and an administration fee paid to Blue Cross and Blue Shield of Iowa. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$2,145,900 for the year ended June 30, 2004 are covered by commercial insurance.

All funds of the City participate in the program and make payments to the Employee Health Care Fund (an Internal Service Fund) based on premiums recommended by the program administrator based on historical information. The premiums are based on the amounts needed to pay current year claims and provide a reserve for claims incurred but not reported during the current year.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(11) Risk Management - continued

The City has adopted Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Included in the claims liability at June 30, 2004 is \$505,200 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2004 is as follows:

	<u>Beginning of fiscal year liability</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of fiscal year liability</u>
Current year	\$665,612	\$1,700,239	\$1,815,801	\$550,050
Prior year	388,338	2,113,183	1,835,909	665,612

In addition to health risks losses, the City is exposed to various other risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City covers these risks through commercial claims-made insurance policies. The costs of this insurance is paid by the general fund and the enterprise funds. There have been no substantial reductions in coverage from prior years. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

(12) Deficit Fund Balances/Net Assets

The general purpose financial statements include individual fund deficits as follows:

Special Revenue Fund:	
ESGP Grant	\$ 1,745
LHAP 2000	12,170
Community Growth TIF	1,798,250
Westside TIF	898,371
CDBG Housing Rehabilitation	1,416
Capital Projects:	
Street Construction	256
Internal Service Fund:	
Central Services	57,677
Enterprise Fund:	
Ambulance	154,556

The deficit balances in the ESGP Grant, LHAP 2000 and CDBG Housing Rehabilitation funds will be eliminated by interfund transfers from the General Fund.

The deficits in the TIF funds will eventually be eliminated through the retention of property tax proceeds rather than the reinvestment in current projects or debt reduction.

The Capital Project deficits will be eliminated through bonding, special assessment levies or transfers from local option sales taxes or road use tax funds.

The Central Services fund deficit will be eliminated by an increase in the rate charged other departments.

The Ambulance fund deficit will be eliminated by continuing to provide ambulance service to the City and surrounding areas.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

(13) Commitments

At June 30, 2004, the following construction and purchase commitments had been made:

	Total <u>Contracts</u>	Costs <u>Incurred</u>
Sanitary sewer projects	\$ 184,036	\$ -
Street projects	11,156,698	6,937,467
Water projects	18,896,125	18,656,139
Other	25,900	33,717
Total	<u>\$30,262,759</u>	<u>\$25,627,323</u>

(14) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$12,561,492 during the year ended June 30, 2004 of which \$12,215,228 was competitively bid.

(15) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2004, disbursements in the Public Safety and Community and Economic Development programs exceeded the amount budgeted.

(16) Subsequent Events

The City awarded contracts subsequent to June 30 for the following projects:

Water projects	\$233,335
Sanitary sewer projects	48,900
Street projects	266,108
Fire projects	393,060
	<u>\$941,403</u>

The City also sold \$4,645,000 of general obligation bonds dated October 1, 2004 payable over a 10-year period at interest rates ranging from 2.0% to 3.6%.

As of the financial statement date, the City was a defendant in a breach of contract lawsuit involving the former fixed base operator (FBO) and the airport. This lawsuit was settled on August 19, 2004 for \$150,000. The settlement agreement requires an initial payment of \$75,000 and issuance of a \$75,000 note payable over three years at 8% per annum.

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	ESGP	Section 8 Voucher	Section 8 New
ASSETS:			
Cash	\$ -	\$ 20,248	\$ 22,243
Investments	-	-	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	-	-
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Due from other funds	-	-	-
Due from state government	12,526	-	-
Due from federal government	-	39,876	2,085
Prepaid expenditures	-	106,557	16,244
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	\$ 12,526	\$166,681	\$ 40,572
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ 10,685	\$ 3,541	\$ 104
Salaries payable	-	5,304	-
Contracts payable	-	-	-
Accrued vacation payable	1,745	10,472	-
Due to other funds	1,841	-	-
Due to state government	-	-	-
Deferred revenue	-	-	-
Total liabilities	\$ 14,271	\$ 19,317	\$ 104
Fund balance:			
Reserved for:			
Prepaid expenditures	\$ -	\$106,557	\$ 16,244
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	(1,745)	40,807	24,224
Total fund balance	\$ (1,745)	\$147,364	\$ 40,468
Total liabilities and fund balance	\$ 12,526	\$166,681	\$ 40,572

(continued)

<u>Principal TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Police Retirement</u>
\$ -	\$ -	\$ 67,379	\$ 66,299
-	-	-	3,224,649
-	120	-	252,483
-	-	-	11,179
-	-	-	-
-	-	29,817	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 97,196</u>	<u>\$3,554,610</u>
\$ -	\$ 43	\$ 75	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	898,448	-	74,298
-	-	-	-
-	-	-	250,383
<u>\$ -</u>	<u>\$ 898,491</u>	<u>\$ 75</u>	<u>\$ 324,681</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	(898,371)	97,121	3,229,929
<u>\$ -</u>	<u>\$ (898,371)</u>	<u>\$ 97,121</u>	<u>\$3,229,929</u>
<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 97,196</u>	<u>\$3,554,610</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>
ASSETS:			
Cash	\$ 128,344	\$ 54,543	\$175,134
Investments	2,240,702	-	346,308
Receivables:			
Property taxes	217,595	451,742	-
Accrued interest	8,626	-	1,750
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Due from other funds	74,298	-	-
Due from state government	-	-	-
Due from federal government	-	-	-
Prepaid expenditures	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$2,669,565</u>	<u>\$506,285</u>	<u>\$523,192</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 264
Salaries payable	-	-	-
Contracts payable	-	-	-
Accrued vacation payable	-	-	-
Due to other funds	-	-	-
Due to state government	-	-	-
Deferred revenue	215,317	443,791	-
Total liabilities	<u>\$ 215,317</u>	<u>\$443,791</u>	<u>\$ 264</u>
Fund balance:			
Reserved for:			
Prepaid expenditures	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	2,454,248	62,494	522,928
Total fund balance	<u>\$2,454,248</u>	<u>\$ 62,494</u>	<u>\$522,928</u>
Total liabilities and fund balance	<u>\$2,669,565</u>	<u>\$506,285</u>	<u>\$523,192</u>

(continued)

<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>Debt Service</u>
\$ 8,271	\$ 55,421	\$ 597,882	\$1,563,407
349,681	-	6,161,340	-
-	-	921,940	229,197
-	-	21,555	845
-	-	-	34,827
-	-	-	128,709
-	-	104,115	139,990
-	87,141	99,667	-
-	-	41,961	-
-	-	122,801	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$357,952</u>	<u>\$142,562</u>	<u>\$8,071,261</u>	<u>\$2,096,975</u>
\$ -	\$ 95,725	\$ 110,437	\$ 164
-	1,109	6,413	-
-	-	-	-
-	1,745	13,962	-
-	11,736	986,323	525,114
-	340	340	-
-	-	909,491	350,382
<u>\$ -</u>	<u>\$110,655</u>	<u>\$2,026,966</u>	<u>\$ 875,660</u>
\$ -	\$ -	\$ 122,801	\$ -
-	-	-	-
-	-	-	1,221,315
357,952	31,907	5,921,494	-
<u>\$357,952</u>	<u>\$ 31,907</u>	<u>\$6,044,295</u>	<u>\$1,221,315</u>
<u>\$357,952</u>	<u>\$142,562</u>	<u>\$8,071,261</u>	<u>\$2,096,975</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>Street Construction</u>	<u>12th Street NW Underpass</u>	<u>Local Option Capital Improvement</u>
ASSETS:			
Cash	\$ -	\$ -	\$1,699,087
Investments	-	-	250,000
Receivables:			
Property taxes	-	-	-
Accrued interest	-	-	3,424
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Due from other funds	-	4,082,493	200,000
Due from state government	-	-	134,833
Due from federal government	-	-	-
Prepaid expenditures	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u><u>\$ -</u></u>	<u><u>\$4,082,493</u></u>	<u><u>\$2,287,344</u></u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ 1,708	\$ 19,491
Salaries payable	-	-	-
Contracts payable	-	413,244	3,498
Accrued vacation payable	-	-	-
Due to other funds	256	1,116	3,244
Due to state government	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u><u>\$ 256</u></u>	<u><u>\$ 416,068</u></u>	<u><u>\$ 26,233</u></u>
Fund balance:			
Reserved for:			
Prepaid expenditures	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	(256)	3,666,425	2,261,111
Total fund balance	<u><u>\$ (256)</u></u>	<u><u>\$3,666,425</u></u>	<u><u>\$2,261,111</u></u>
Total liabilities and fund balance	<u><u>\$ -</u></u>	<u><u>\$4,082,493</u></u>	<u><u>\$2,287,344</u></u>

See Accompanying Independent Auditor's Report.

<u>Total Capital Project</u>	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$1,699,087	\$ -	\$ 178,401	\$ 178,401	\$ 4,038,777
250,000	-	596,818	596,818	7,008,158
-	-	-	-	1,151,137
3,424	-	2,349	2,349	28,173
-	-	-	-	34,827
-	-	-	-	128,709
4,282,493	57,708	-	57,708	4,584,306
134,833	-	-	-	234,500
-	-	-	-	41,961
-	-	-	-	122,801
-	19,551	-	19,551	19,551
-	392,918	-	392,918	392,918
-	1,955	-	1,955	1,955
<u>\$6,369,837</u>	<u>\$ 472,132</u>	<u>\$ 777,568</u>	<u>\$1,249,700</u>	<u>\$17,787,773</u>
\$ 21,199	\$ -	\$ 840	\$ 840	\$ 132,640
-	-	-	-	6,413
416,742	-	-	-	416,742
-	-	-	-	13,962
4,616	16,390	-	16,390	1,532,443
-	-	-	-	340
-	-	-	-	1,259,873
<u>\$ 442,557</u>	<u>\$ 16,390</u>	<u>\$ 840</u>	<u>\$ 17,230</u>	<u>\$ 3,362,413</u>
\$ -	\$ -	\$ -	\$ -	\$ 122,801
-	414,424	-	414,424	414,424
-	-	-	-	1,221,315
5,927,280	41,318	776,728	818,046	12,666,820
<u>\$5,927,280</u>	<u>\$ 455,742</u>	<u>\$ 776,728</u>	<u>\$1,232,470</u>	<u>\$14,425,360</u>
<u>\$6,369,837</u>	<u>\$ 472,132</u>	<u>\$ 777,568</u>	<u>\$1,249,700</u>	<u>\$17,787,773</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>ESGP</u>	<u>Section 8 Voucher</u>	<u>Section 8 New</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	78,000	1,495,515	202,192
Charges for service	-	-	-
Use of money and property	-	145	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Refunds	-	-	-
Total revenues	<u>\$ 78,000</u>	<u>\$1,495,660</u>	<u>\$ 202,192</u>
EXPENDITURES:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	78,239	1,480,076	188,861
General government	-	-	-
Capital projects	-	497	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 78,239</u>	<u>\$1,480,573</u>	<u>\$ 188,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (239)</u>	<u>\$ 15,087</u>	<u>\$ 13,331</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ -	\$ -	\$ -
Transfers in	2,910	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ 2,910</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 2,671</u>	<u>\$ 15,087</u>	<u>\$ 13,331</u>
Fund balance beginning of year	<u>(4,416)</u>	<u>132,277</u>	<u>27,137</u>
Fund balance end of year	<u>\$ (1,745)</u>	<u>\$ 147,364</u>	<u>\$ 40,468</u>

(continued)

<u>Principal TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Police Retirement</u>
\$ -	\$ -	\$ -	\$ 182,686
-	186,027	124,016	-
-	-	-	-
-	-	-	-
-	-	638	14,583
-	-	-	-
20	-	-	-
-	-	-	-
<u>\$ 20</u>	<u>\$ 186,027</u>	<u>\$ 124,654</u>	<u>\$ 197,269</u>
\$ -	\$ -	\$ -	\$ 420,036
-	-	-	-
-	-	-	-
-	-	-	-
1,951	69,384	600	-
-	-	-	-
-	865,584	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 1,951</u>	<u>\$ 934,968</u>	<u>\$ 600</u>	<u>\$ 420,036</u>
<u>\$ (1,931)</u>	<u>\$ (748,941)</u>	<u>\$ 124,054</u>	<u>\$ (222,767)</u>
\$ -	\$ -	\$ -	\$ -
61,913	-	-	-
-	(105,430)	(335,330)	-
<u>\$ 61,913</u>	<u>\$ (105,430)</u>	<u>\$ (335,330)</u>	<u>\$ -</u>
\$ 59,982	\$ (854,371)	\$ (211,276)	\$ (222,767)
(59,982)	(44,000)	308,397	3,452,696
<u><u>\$ -</u></u>	<u><u>\$ (898,371)</u></u>	<u><u>\$ 97,121</u></u>	<u><u>\$3,229,929</u></u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>
REVENUES:			
Property taxes	\$ 198,146	\$ 412,180	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	3,359
Use of money and property	36,848	-	(6,914)
Special assessments	-	-	-
Miscellaneous	-	-	186,642
Refunds	-	-	-
Total revenues	<u>\$ 234,994</u>	<u>\$ 412,180</u>	<u>\$ 183,087</u>
EXPENDITURES:			
Public safety	\$ 291,932	\$ 158,991	\$ -
Public works	-	39,183	-
Health and social services	-	18,915	-
Culture and recreation	-	74,114	11,335
Community & economic development	-	24,303	-
General government	-	86,353	-
Capital projects	-	-	34,091
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 291,932</u>	<u>\$ 401,859</u>	<u>\$ 45,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (56,938)</u>	<u>\$ 10,321</u>	<u>\$ 137,661</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ -	\$ -	\$ -
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (56,938)</u>	<u>\$ 10,321</u>	<u>\$ 137,661</u>
Fund balance beginning of year	<u>2,511,186</u>	<u>52,173</u>	<u>385,267</u>
Fund balance end of year	<u>\$2,454,248</u>	<u>\$ 62,494</u>	<u>\$ 522,928</u>

(continued)

<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>Debt Service</u>
\$ -	\$ -	\$ 793,012	\$ 485,228
-	-	310,043	1,463
-	-	-	-
-	201,393	1,977,100	-
-	57,870	61,229	-
63,630	11	108,941	45,378
-	-	-	97,251
24,233	3,060	213,955	-
-	-	-	-
<u>\$ 87,863</u>	<u>\$ 262,334</u>	<u>\$ 3,464,280</u>	<u>\$ 629,320</u>
\$ -	\$ -	\$ 870,959	\$ -
-	-	39,183	-
-	-	18,915	-
17,035	42,440	144,924	-
-	211,680	2,055,094	-
-	-	86,353	-
-	32,734	932,906	-
-	-	-	2,660,020
-	-	-	563,568
-	-	-	20,261
<u>\$ 17,035</u>	<u>\$ 286,854</u>	<u>\$ 4,148,334</u>	<u>\$ 3,243,849</u>
<u>\$ 70,828</u>	<u>\$ (24,520)</u>	<u>\$ (684,054)</u>	<u>\$ (2,614,529)</u>
\$ -	\$ -	\$ -	\$ 16,128
-	33,094	97,917	1,554,027
-	(55)	(440,815)	(47,673)
<u>\$ -</u>	<u>\$ 33,039</u>	<u>\$ (342,898)</u>	<u>\$ 1,522,482</u>
\$ 70,828	\$ 8,519	\$(1,026,952)	\$(1,092,047)
287,124	23,388	7,071,247	2,313,362
<u>\$ 357,952</u>	<u>\$ 31,907</u>	<u>\$ 6,044,295</u>	<u>\$ 1,221,315</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Street Construction</u>	<u>12th Street NW Underpass</u>	<u>Local Option Capital Improvement</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	-	1,965,518
Intergovernmental	-	-	-
Charges for services	-	-	-
Use of money and property	7,707	3,890	35,890
Special assessments	88,754	-	-
Miscellaneous	-	311	-
Refunds	-	-	2,767
Total revenues	<u>\$ 96,461</u>	<u>\$ 4,201</u>	<u>\$ 2,004,175</u>
EXPENDITURES:			
Public safety	\$ -	\$ -	\$ -
Public works	13,353	435,030	162
Health & social services	-	-	-
Culture & recreation	-	-	14,673
Community & economic development	-	-	-
General government	-	-	-
Capital projects	110,057	589,472	317,459
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 123,410</u>	<u>\$ 1,024,502</u>	<u>\$ 332,294</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (26,949)</u>	<u>\$ (1,020,301)</u>	<u>\$ 1,671,881</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ -	\$ -	\$ -
Transfers in	118,107	4,750,000	-
Transfers out	-	-	(5,489,949)
Total other financing sources (uses)	<u>\$ 118,107</u>	<u>\$ 4,750,000</u>	<u>\$ (5,489,949)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 91,158</u>	<u>\$ 3,729,699</u>	<u>\$ (3,818,068)</u>
Fund balance beginning of year	<u>(91,414)</u>	<u>(63,274)</u>	<u>6,079,179</u>
Fund balance end of year	<u>\$ (256)</u>	<u>\$ 3,666,425</u>	<u>\$ 2,261,111</u>

See Accompanying Independent Auditor's Report.

<u>Total Capital Project</u>	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,278,240
-	-	-	-	311,506
1,965,518	-	-	-	1,965,518
-	-	-	-	1,977,100
-	6,580	-	6,580	67,809
47,487	-	16,035	16,035	217,841
88,754	-	-	-	186,005
311	-	53,350	53,350	267,616
2,767	-	-	-	2,767
<u>\$2,104,837</u>	<u>\$ 6,580</u>	<u>\$ 69,385</u>	<u>\$ 75,965</u>	<u>\$ 6,274,402</u>
\$ -	\$ -	\$ -	\$ -	\$ 870,959
448,545	-	-	-	487,728
-	-	-	-	18,915
14,673	-	23,911	23,911	183,508
-	-	-	-	2,055,094
-	-	-	-	86,353
1,016,988	-	-	-	1,949,894
-	-	-	-	2,660,020
-	-	-	-	563,568
-	-	-	-	20,261
<u>\$1,480,206</u>	<u>\$ -</u>	<u>\$ 23,911</u>	<u>\$ 23,911</u>	<u>\$ 8,896,300</u>
<u>\$ 624,631</u>	<u>\$ 6,580</u>	<u>\$ 45,474</u>	<u>\$ 52,054</u>	<u>\$(2,621,898)</u>
\$ -	\$ -	\$ -	\$ -	\$ 16,128
4,868,107	-	-	-	6,520,051
<u>(5,489,949)</u>	<u>-</u>	<u>(20,500)</u>	<u>(20,500)</u>	<u>(5,998,937)</u>
<u>\$ (621,842)</u>	<u>\$ -</u>	<u>\$ (20,500)</u>	<u>\$ (20,500)</u>	<u>\$ 537,242</u>
\$ 2,789	\$ 6,580	\$ 24,974	\$ 31,554	\$(2,084,656)
<u>5,924,491</u>	<u>449,162</u>	<u>751,754</u>	<u>1,200,916</u>	<u>16,510,016</u>
<u>\$5,927,280</u>	<u>\$ 455,742</u>	<u>\$ 776,728</u>	<u>\$1,232,470</u>	<u>\$14,425,360</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004

	<u>Cemetery</u>	<u>Storm Sewer</u>
ASSETS:		
Current assets:		
Cash	\$ 91,680	\$ 7,135
Investments	50	500,000
Receivables:		
Property taxes	88,288	-
Accounts	36,327	22,422
Accrued interest	13	221
Due from other funds	16,390	-
Prepaid insurance	521	-
Total current assets	<u>\$ 233,269</u>	<u>\$ 529,778</u>
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	111,546	24,728
Improvements	309,100	-
Vehicles	43,227	-
Storm sewer lines	-	2,048,279
Less accumulated depreciation	(347,119)	(922,683)
Total property, plant and equipment	<u>\$ 164,453</u>	<u>\$1,150,324</u>
Total assets	<u>\$ 397,722</u>	<u>\$1,680,102</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,381	\$ 1,978
Salaries payable	6,601	-
Accrued vacation payable	18,355	-
Accrued interest payable	-	-
Due to other funds	57,831	-
Due to state government	-	-
General obligation notes	-	-
Capital lease	-	-
Prepaid interments	28,452	-
Deferred revenue	86,956	-
Total current liabilities	<u>\$ 200,576</u>	<u>\$ 1,978</u>
Long-term liabilities:		
General obligation notes	\$ -	\$ -
Capital lease	-	-
Total long-term liabilities	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ 200,576</u>	<u>\$ 1,978</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 164,453	\$1,150,324
Restricted for capital projects	-	-
Unrestricted	32,693	527,800
Total net assets	<u>\$ 197,146</u>	<u>\$1,678,124</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 125,674	\$ 111,066	\$ -	\$ -	\$ 335,555
100,000	-	-	-	600,050
-	-	-	-	88,288
92,663	2,933	-	59,084	213,429
44	236	-	-	514
20,526	-	500	305,411	342,827
407	1,052	-	3,720	5,700
<u>\$ 339,314</u>	<u>\$ 115,287</u>	<u>\$ 500</u>	<u>\$ 368,215</u>	<u>\$1,586,363</u>
\$ -	\$ 196,813	\$4,143,120	\$ -	\$4,339,933
583,706	553,873	-	-	1,185,278
18,653	226,183	-	119,196	500,306
-	47,951	2,584,991	-	2,942,042
648,582	23,194	13,000	355,690	1,083,693
-	-	-	-	2,048,279
(403,883)	(326,402)	(2,462,832)	(5,736)	(4,468,655)
<u>\$ 847,058</u>	<u>\$ 721,612</u>	<u>\$4,278,279</u>	<u>\$ 469,150</u>	<u>\$7,630,876</u>
<u>\$1,186,372</u>	<u>\$ 836,899</u>	<u>\$4,278,779</u>	<u>\$ 837,365</u>	<u>\$9,217,239</u>
\$ 45,315	\$ 18,285	\$ 4,015	\$ 49,025	\$ 120,999
16,662	8,082	922	13,248	45,515
29,556	7,827	2,748	-	58,486
-	272	-	2,978	3,250
2,000	876	21,433	-	82,140
-	1,371	-	-	1,371
-	30,000	-	36,007	66,007
-	-	-	91,096	91,096
-	-	-	-	28,452
-	-	1,950	-	88,906
<u>\$ 93,533</u>	<u>\$ 66,713</u>	<u>\$ 31,068</u>	<u>\$ 192,354</u>	<u>\$ 586,222</u>
\$ -	\$ 30,000	\$ -	\$ 399,673	\$ 429,673
-	-	-	399,894	399,894
<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 799,567</u>	<u>\$ 829,567</u>
<u>\$ 93,533</u>	<u>\$ 96,713</u>	<u>\$ 31,068</u>	<u>\$ 991,921</u>	<u>\$1,415,789</u>
\$ 847,058	\$ 661,612	\$4,278,279	\$ (21,840)	\$7,079,886
-	-	-	435,680	435,680
245,781	78,574	(30,568)	(568,396)	285,884
<u>\$1,092,839</u>	<u>\$ 740,186</u>	<u>\$4,247,711</u>	<u>\$ (154,556)</u>	<u>\$7,801,450</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Cemetery</u>	<u>Storm Sewer</u>
Operating revenues:		
Charges for service	\$ 79,856	\$ 184,260
Operating Expenses:		
Business type activities:		
Personal service	\$ 186,897	\$ 27,652
Contractual	12,061	169
Commodities	10,371	8,677
Other	755	1,683
Depreciation	20,543	70,642
Total operating expenses	<u>\$ 230,627</u>	<u>\$ 108,823</u>
Operating income (loss)	<u>\$ (150,771)</u>	<u>\$ 75,437</u>
Nonoperating revenues (expenses):		
Property taxes	\$ 83,372	\$ -
Use of money and property	(11,609)	4,301
Special assessments	-	-
Miscellaneous	29,305	-
Interest	-	-
Gain (loss) on disposal of assets	-	-
Total nonoperating revenue (expenses)	<u>\$ 101,068</u>	<u>\$ 4,301</u>
Income (loss) before contributions and transfers	<u>\$ (49,703)</u>	<u>\$ 79,738</u>
Contributions and transfers:		
Transfers in	\$ 30,129	\$ -
Capital contributions	-	75,252
Total contributions and transfers	<u>\$ 30,129</u>	<u>\$ 75,252</u>
Change in net assets	\$ (19,574)	\$ 154,990
Net assets beginning of year	<u>216,720</u>	<u>1,523,134</u>
Net assets end of year	<u>\$ 197,146</u>	<u>\$1,678,124</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 940,889	\$ 282,927	\$ 47,915	\$ 59,084	\$1,594,931
\$ 562,774	\$ 201,381	\$ 35,159	\$ 50,082	\$1,063,945
273,943	28,934	43,462	94,953	453,522
32,445	46,428	905	53,397	152,223
132	-	708	6,494	9,772
64,502	32,424	14,131	5,736	207,978
<u>\$ 933,796</u>	<u>\$ 309,167</u>	<u>\$ 94,365</u>	<u>\$ 210,662</u>	<u>\$1,887,440</u>
\$ 7,093	\$ (26,240)	\$ (46,450)	\$ (151,578)	\$ (292,509)
\$ -	\$ -	\$ -	\$ -	\$ 83,372
-	-	27,057	-	27,057
1,534	9,772	1,000	-	4,998
470	-	-	-	29,775
-	(4,714)	-	(2,978)	(7,692)
(7,482)	-	500	-	(6,982)
<u>\$ (5,478)</u>	<u>\$ 5,058</u>	<u>\$ 28,557</u>	<u>\$ (2,978)</u>	<u>\$ 130,528</u>
\$ 1,615	\$ (21,182)	\$ (17,893)	\$ (154,556)	\$ (161,981)
\$ -	\$ 14,820	\$ -	\$ -	\$ 44,949
-	-	-	-	75,252
<u>\$ -</u>	<u>\$ 14,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,201</u>
\$ 1,615	\$ (6,362)	\$ (17,893)	\$ (154,556)	\$ (41,780)
<u>1,091,224</u>	<u>746,548</u>	<u>4,265,604</u>	<u>-</u>	<u>7,843,230</u>
<u>\$1,092,839</u>	<u>\$ 740,186</u>	<u>\$4,247,711</u>	<u>\$ (154,556)</u>	<u>\$7,801,450</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 74,560	\$ 186,337
Cash paid to employees for services	(184,402)	(27,652)
Cash paid to other suppliers of goods or services	(18,833)	(31,297)
Proceeds from miscellaneous items	<u>59,434</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (69,241)</u>	<u>\$ 127,388</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	<u>\$ 83,828</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Net acquisition of fixed assets	\$ (52,675)	\$ (66,091)
Principal payments	-	-
Interest payments	-	-
Proceeds from sale of bonds	<u>-</u>	<u>-</u>
Net cash provided (used) for capital and related financing activities	<u>\$ (52,675)</u>	<u>\$ (66,091)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ 700,000
Purchase of investments	-	(800,000)
Interest received	20,729	4,167
Rent received	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ 20,729</u>	<u>\$ (95,833)</u>
Net increase (decrease) in cash	\$ (17,359)	\$ (34,536)
Cash beginning of year	<u>109,039</u>	<u>41,671</u>
Cash end of year	<u>\$ 91,680</u>	<u>\$ 7,135</u>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 950,633	\$ 336,613	\$ 48,816	\$ -	\$1,596,959
(554,906)	(198,703)	(34,919)	(36,785)	(1,037,367)
(179,301)	(54,976)	(34,259)	(109,588)	(428,254)
<u>470</u>	<u>-</u>	<u>31,862</u>	<u>(305,411)</u>	<u>(213,645)</u>
<u>\$ 216,896</u>	<u>\$ 82,934</u>	<u>\$ 11,500</u>	<u>\$ (451,784)</u>	<u>\$ (82,307)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,828</u>
\$ (112,645)	\$ (26,782)	\$ (12,500)	\$ (474,886)	\$ (745,579)
-	(30,000)	-	-	(30,000)
-	(4,845)	-	-	(4,845)
<u>-</u>	<u>-</u>	<u>-</u>	<u>926,670</u>	<u>926,670</u>
<u>\$ (112,645)</u>	<u>\$ (61,627)</u>	<u>\$ (12,500)</u>	<u>\$ 451,784</u>	<u>\$ 146,246</u>
\$ 100,000	\$ 50,000	\$ 150,000	\$ -	\$1,000,000
(200,000)	(50,000)	(150,000)	-	(1,200,000)
1,505	959	1,000	-	28,360
<u>-</u>	<u>8,800</u>	<u>-</u>	<u>-</u>	<u>8,800</u>
<u>\$ (98,495)</u>	<u>\$ 9,759</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ (162,840)</u>
\$ 5,756	\$ 31,066	\$ -	\$ -	\$ (15,073)
<u>119,918</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>350,628</u>
<u><u>\$ 125,674</u></u>	<u><u>\$ 111,066</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 335,555</u></u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

	<u>Cemetery</u>	<u>Storm Sewer</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (150,771)	\$ 75,437
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	20,543	70,642
Miscellaneous income	29,305	-
Change in assets and liabilities:		
(Increase) decrease in receivables	(8,616)	2,077
(Increase) decrease in inventory	320	-
(Increase) decrease in due from other funds	848	-
(Increase) decrease in prepaid insurance	(129)	-
Increase (decrease) in accounts and contracts payable	1,384	(20,768)
Increase (decrease) in salaries payable	2,302	-
Increase (decrease) in accrued vacation payable	174	-
Increase (decrease) in due to other funds	31,447	-
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	3,952	-
Increase (decrease) in unearned revenue	-	-
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ (69,241)</u>	<u>\$ 127,388</u>
Noncash investing, capital and financing activities:		
Developer contributions:		
Storm sewer lines	\$ -	\$ 75,252

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 7,093	\$(26,240)	\$(46,450)	\$(151,578)	\$(292,509)
64,502	32,424	14,131	5,736	207,978
470	-	27,057	-	56,832
9,751	1	-	(59,084)	(55,871)
-	-	-	-	320
113,748	68,675	(500)	(305,411)	(122,640)
4,652	(193)	-	(3,720)	610
8,756	4,900	(1,706)	49,025	41,591
3,716	2,378	243	13,248	21,887
4,080	267	(7)	-	4,514
128	575	17,832	-	49,982
-	147	-	-	147
-	-	-	-	3,952
-	-	900	-	900
<u>\$216,896</u>	<u>\$ 82,934</u>	<u>\$ 11,500</u>	<u>\$(451,784)</u>	<u>\$(82,307)</u>
\$ -	\$ -	\$ -	\$ -	\$ 75,252

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ -	\$ 833,104	\$ 833,104
Investments	-	500,000	500,000
Receivables:			
Property taxes	-	350,000	350,000
Accrued interest	-	1,247	1,247
Due from other funds	18,052	106,726	124,778
Total current assets	<u>\$ 18,052</u>	<u>\$1,791,077</u>	<u>\$1,809,129</u>
Property, plant and equipment:			
Equipment	\$ 67,451	\$ -	\$ 67,451
Vehicles	93,846	-	93,846
Total property, plant and equipment	<u>\$161,297</u>	<u>\$ -</u>	<u>\$ 161,297</u>
Less accumulated depreciation	(77,847)	-	(77,847)
Net property, plant and equipment	<u>\$ 83,450</u>	<u>\$ -</u>	<u>\$ 83,450</u>
Total assets	<u>\$101,502</u>	<u>\$1,791,077</u>	<u>\$1,892,579</u>
LIABILITIES:			
Accounts payable	\$ 3,362	\$ 617,990	\$ 621,352
Salaries payable	4,022	-	4,022
Accrued vacation payable	8,848	-	8,848
Due to other funds	142,947	-	142,947
Deferred revenue	-	364,174	364,174
Total liabilities	<u>\$159,179</u>	<u>\$ 982,164</u>	<u>\$1,141,343</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 83,450	\$ -	\$ 83,450
Unrestricted	<u>(141,127)</u>	<u>808,913</u>	<u>667,786</u>
Total net assets	<u><u>\$ (57,677)</u></u>	<u><u>\$ 808,913</u></u>	<u><u>\$ 751,236</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$ 187,053	\$ -	\$ 187,053
Health insurance contributions	-	1,257,998	1,257,998
Total operating revenues	<u>\$ 187,053</u>	<u>\$1,257,998</u>	<u>\$1,445,051</u>
Operating expenses:			
Business type activities:			
Personal services	\$ 140,043	\$2,017,590	\$2,157,633
Contractual	16,323	-	16,323
Commodities	14,131	-	14,131
Depreciation	13,135	-	13,135
Total operating expenses	<u>\$ 183,632</u>	<u>\$2,017,590</u>	<u>\$2,201,222</u>
Operating income (loss)	<u>\$ 3,421</u>	<u>\$ (759,592)</u>	<u>\$ (756,171)</u>
Nonoperating revenues (expenses):			
Use of money and property	\$ -	\$ 22,498	\$ 22,498
Change in net assets	\$ 3,421	\$ (737,094)	\$ (733,673)
Net assets beginning of year	<u>(61,098)</u>	<u>1,546,007</u>	<u>1,484,909</u>
Net assets end of year	<u>\$ (57,677)</u>	<u>\$ 808,913</u>	<u>\$ 751,236</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$176,267	\$1,019,773	\$1,196,040
Cash received from employees and others	-	161,981	161,981
Cash paid to employees for services	(139,624)	-	(139,624)
Cash paid to suppliers	(26,693)	-	(26,693)
Cash paid for health and life insurance	-	(2,079,748)	(1,873,818)
Net cash provided (used) by operating activities	<u>\$ 9,950</u>	<u>\$ (897,994)</u>	<u>\$ (888,044)</u>
Cash flows from capital and related financing activities:			
Net acquisition of fixed assets	<u>\$ (9,950)</u>	<u>\$ -</u>	<u>\$ (9,950)</u>
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$2,500,000	\$2,500,000
Purchase of investments	-	(2,050,000)	(2,050,000)
Interest received	-	23,464	23,464
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 473,464</u>	<u>\$ 473,464</u>
Net decrease in cash	\$ -	\$ (424,530)	\$ (424,530)
Cash beginning of year	-	1,257,634	1,257,634
Cash end of year	<u><u>\$ -</u></u>	<u><u>\$ 833,104</u></u>	<u><u>\$ 833,104</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 3,421	\$ (759,592)	\$ (756,171)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	13,135	-	13,135
Change in assets and liabilities:			
(Increase) decrease in due from other funds	(2,078)	(75,791)	(77,869)
Increase (decrease) in accounts payable	2,172	(61,897)	(59,725)
Increase (decrease) in salaries payable	948	-	948
Increase (decrease) in accrued vacation	1,075	-	1,075
Increase (decrease) in unearned revenues	-	(714)	(714)
Increase (decrease) in due to other funds	(8,723)	-	(8,723)
Net cash provided (used) by operating activities	<u><u>\$ 9,950</u></u>	<u><u>\$ (897,994)</u></u>	<u><u>\$ (888,044)</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 JUNE 30, 2004

General fixed assets:	
Land	\$ 1,712,025
Buildings and structures	8,204,619
Improvements other than buildings	8,202,915
Machinery and equipment	3,812,526
Vehicles	5,892,628
Infrastructure	38,424,059
Construction in progress	<u>5,175,166</u>
Total general fixed assets	<u>\$71,423,938</u>
 Investment in general fixed assets by source:	
General fund	<u>\$71,423,938</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2004

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police department	\$ 2,917,031	\$ 115,000
Fire department	2,768,816	75,150
Civil defense	6,651	-
Building	51,094	-
Inspectors	44,199	-
Total public safety	<u>\$ 5,787,791</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$ 7,133,254	\$ 991,730
Street department	2,935,364	31,363
Infrastructure	43,525,699	-
City arborist	117,713	-
Engineer	204,243	-
Total public works	<u>\$53,916,273</u>	<u>\$1,023,093</u>
Health and Social Services:		
Youth Task Force	\$ 16,370	\$ -
Health department	31,591	-
Human rights	40,454	-
Total health and social services	<u>\$ 88,415</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 3,478,646	\$ 485,282
Swimming pool	3,099,558	-
Recreation	167,030	-
Library	1,560,867	13,500
Museum	1,140,936	-
Band	2,713	-
Total culture and recreation	<u>\$ 9,449,750</u>	<u>\$ 498,782</u>
Community and Economic Development:		
Housing	\$ 24,819	\$ -
Community development	84,970	-
Transit system	848,620	-
Total community and economic development	<u>\$ 958,409</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 5,420	\$ -
Council	24,747	-
City administrator	24,492	-
Finance department	63,950	-
City clerk	16,165	-
City hall	1,076,842	-
Safety director	11,684	-
Total general government	<u>\$ 1,223,300</u>	<u>\$ -</u>
Total general fixed assets	<u>\$71,423,938</u>	<u>\$1,712,025</u>

See Accompanying Independent Auditor's Report.

<u>Buildings and Structures</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>
\$1,555,292	\$ -	\$ 823,389	\$ 423,350	\$ -	\$ -
899,787	-	241,994	1,551,885	-	-
-	-	6,651	-	-	-
-	-	43,144	7,950	-	-
-	-	15,410	28,789	-	-
<u>\$2,455,079</u>	<u>\$ -</u>	<u>\$1,130,588</u>	<u>\$2,011,974</u>	<u>\$ -</u>	<u>\$ -</u>
\$1,837,471	\$3,088,601	\$ 430,073	\$ 785,379	\$ -	\$ -
719,834	-	257,861	1,926,306	-	-
-	-	-	-	38,424,059	5,101,640
-	-	7,883	109,830	-	-
-	-	130,432	73,811	-	-
<u>\$2,557,305</u>	<u>\$3,088,601</u>	<u>\$ 826,249</u>	<u>\$2,895,326</u>	<u>\$38,424,059</u>	<u>\$5,101,640</u>
\$ -	\$ -	\$ 16,370	\$ -	\$ -	\$ -
-	-	13,258	18,333	-	-
-	-	40,454	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,082</u>	<u>\$ 18,333</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 221,407	\$1,831,878	\$ 672,591	\$ 193,962	\$ -	\$ 73,526
-	3,065,077	34,481	-	-	-
-	-	108,239	58,791	-	-
924,454	215,819	407,094	-	-	-
1,049,971	-	90,965	-	-	-
-	-	2,713	-	-	-
<u>\$2,195,832</u>	<u>\$5,112,774</u>	<u>\$1,316,083</u>	<u>\$ 252,753</u>	<u>\$ -</u>	<u>\$ 73,526</u>
\$ -	\$ -	\$ 24,819	\$ -	\$ -	\$ -
-	-	50,170	34,800	-	-
140,927	-	28,251	679,442	-	-
<u>\$ 140,927</u>	<u>\$ -</u>	<u>\$ 103,240</u>	<u>\$ 714,242</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 5,420	\$ -	\$ -	\$ -
-	-	24,747	-	-	-
-	-	24,492	-	-	-
-	-	63,950	-	-	-
-	-	16,165	-	-	-
855,476	1,540	219,826	-	-	-
-	-	11,684	-	-	-
<u>\$ 855,476</u>	<u>\$ 1,540</u>	<u>\$ 366,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$8,204,619</u>	<u>\$8,202,915</u>	<u>\$3,812,526</u>	<u>\$5,892,628</u>	<u>\$38,424,059</u>	<u>\$5,175,166</u>

CITY OF MASON CITY, IOWA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 YEAR ENDED JUNE 30, 2004

<u>Function and Activity</u>	<u>Balance June 30, 2003</u>
Public Safety:	
Police department	\$ 2,851,492
Fire department	2,762,574
Civil defense	6,651
Building	41,283
Inspectors	27,560
Total public safety	<u>\$ 5,689,560</u>
Public Works:	
Airport	\$ 6,522,703
Street department	2,823,982
Infrastructure	35,589,976
City arborist	116,069
Engineer	185,602
Total public works	<u>\$45,238,332</u>
Health and Social Services:	
Youth Task Force	\$ 15,670
Health department	28,166
Human rights	39,021
Total health and social services	<u>\$ 82,857</u>
Culture and Recreation:	
Parks	\$ 3,193,628
Swimming pool	151,415
Recreation	124,842
Library	1,515,936
Museum	1,125,012
Band	2,713
Total culture and recreation	<u>\$ 6,113,546</u>
Community and Economic Development:	
Housing	\$ 24,519
Community development	81,545
Transit system	797,573
Total community and economic development	<u>\$ 903,637</u>
General Government:	
Mayor	\$ 13,131
Council	24,747
City administrator	17,496
Finance department	62,588
City clerk	16,165
City hall	1,032,139
Safety director	10,322
Total general government	<u>\$ 1,176,588</u>
Construction in progress	<u>\$ 3,151,512</u>
Total general fixed assets	<u>\$62,356,032</u>

See Accompanying Independent Auditor's Report.

<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
\$ 124,300	\$ 58,761	\$ 2,917,031
20,631	14,389	2,768,816
-	-	6,651
22,385	12,574	51,094
16,910	271	44,199
<u>\$ 184,226</u>	<u>\$ 85,995</u>	<u>\$ 5,787,791</u>
\$ 637,153	\$ 26,602	\$ 7,133,254
199,420	88,038	2,935,364
2,834,083	-	38,424,059
1,644	-	117,713
18,641	-	204,243
<u>\$ 3,690,941</u>	<u>\$ 114,640</u>	<u>\$48,814,633</u>
\$ 700	\$ -	\$ 16,370
3,425	-	31,591
7,275	5,842	40,454
<u>\$ 11,400</u>	<u>\$ 5,842</u>	<u>\$ 88,415</u>
\$ 226,294	\$ 14,802	\$ 3,405,120
2,948,143	-	3,099,558
60,431	18,243	167,030
56,111	11,180	1,560,867
20,947	5,023	1,140,936
-	-	2,713
<u>\$ 3,311,926</u>	<u>\$ 49,248</u>	<u>\$ 9,376,224</u>
\$ 7,710	\$ 7,4104	\$ 24,819
3,425	-	84,970
51,047	-	848,620
<u>\$ 62,182</u>	<u>\$ 7,410</u>	<u>\$ 958,409</u>
\$ -	\$ 7,711	\$ 5,420
-	-	24,747
7,546	550	24,492
1,362	-	63,950
-	-	16,165
44,703	-	1,076,842
1,362	-	11,684
<u>\$ 54,973</u>	<u>\$ 8,261</u>	<u>\$ 1,223,300</u>
\$ 5,175,166	\$3,151,512	\$ 5,175,166
<u>\$12,490,814</u>	<u>\$3,422,908</u>	<u>\$71,423,938</u>

STATISTICAL SECTION

CITY OF MASON CITY, IOWA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS (1)

<u>Fiscal Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Social Services</u>	<u>Culture and Recreation</u>	<u>Community and Economic Development</u>
2003-04	\$7,651,154	\$5,408,728	\$556,758	\$2,739,284	\$3,885,016
2002-03	6,906,490	5,478,683	484,978	2,298,424	4,005,048

<u>Fiscal Year</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Cemetery</u>	<u>Water</u>	<u>Sewer</u>
2003-04	\$2,013,286	\$589,257	\$242,607	\$2,755,310	\$2,375,568
2002-03	2,464,926	544,542	236,838	2,461,202	2,518,571

<u>Fiscal Year</u>	<u>Parking Lots</u>	<u>Storm Sewer</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Ambulance</u>	<u>Total</u>
2003-04	\$93,865	\$108,823	\$980,181	\$333,049	\$213,640	\$29,946,526
2002-03	86,350	116,243	980,430	312,588	-	28,895,313

(1) Fiscal year 2002-03 is the first year of government-wide statements.

CITY OF MASON CITY, IOWA
 GOVERNMENT-WIDE REVENUES
 LAST TEN FISCAL YEARS (1)

<u>Fiscal Year</u>	<u>Program Revenues</u>		
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
2003-04	\$8,900,302	\$2,982,349	\$4,694,469
2002-03	8,548,579	2,343,486	3,299,416

<u>Fiscal Year</u>	<u>General Revenues</u>				
	<u>Property Taxes</u>	<u>Other Taxes</u>	<u>Franchise Taxes</u>	<u>Road Use Tax</u>	<u>Unrestricted State Replacement Tax</u>
2003-04	\$9,204,585	\$5,260,326	\$72,000	\$2,444,356	\$171,678
2002-03	8,985,437	3,981,825	20,628	2,355,322	388,170

<u>Fiscal Year</u>	<u>General Revenues</u>			
	<u>Grants and Contributions Not Restricted to Specific Program</u>	<u>Unrestricted Investment Income</u>	<u>Miscellaneous</u>	<u>Total</u>
2003-04	\$132,876	\$ 759,079	\$180,617	\$34,802,637
2002-03	319,333	1,184,623	168,212	31,595,031

(1) Fiscal year 2002-03 is the first year of government-wide statements.

CITY OF MASON CITY, IOWA
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS (1)

<u>Fiscal Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Social Services</u>	<u>Culture and Recreation</u>	<u>Community and Economic Development</u>
2003-04	\$7,038,308	\$3,158,130	\$532,232	\$2,341,327	\$3,744,709
2002-03	6,277,854	3,368,579	456,108	2,161,533	3,888,304

<u>Fiscal Year</u>	<u>General Government</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
2003-04	\$1,905,417	\$9,594,988	\$3,243,849	\$31,558,960
2002-03	2,056,340	7,201,658	1,943,989	27,354,365

(1) Fiscal year 2002-03 is the first year of government-wide statements.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Other Taxes</u>	<u>License and Permits</u>	<u>Inter-governmental</u>	<u>Service Revenues</u>
2003-04	\$9,121,213	\$3,538,486	\$576,466	\$6,394,531	\$709,077
2002-03	8,897,702	2,932,689	777,534	5,910,170	634,019
2001-02	8,665,818	2,844,783	566,884	6,130,993	456,553
2000-01	8,547,351	2,559,247	478,662	5,762,491	506,988
1999-00	8,271,133	2,435,513	474,590	5,242,174	480,846
1998-99	8,293,589	2,410,361	484,969	4,943,375	555,757
1997-98	7,808,880	2,974,798	431,037	4,899,028	452,800
1996-97	6,484,674	2,796,293	435,657	4,557,496	410,873
1995-96	6,125,566	2,734,224	413,115	5,750,251	639,406
1994-95	4,946,487	2,765,389	412,534	5,664,834	611,228

- (1) Includes General, Special Revenue and Debt Service Funds
- (2) Excludes transfers from other funds, sale of general fixed assets, and proceeds from general obligation bonds.

See Accompanying Independent Auditor's Report.

<u>Fines and Forfeitures</u>	<u>Use of Monies & Properties</u>	<u>Special Assessments</u>	<u>Miscellaneous</u>	<u>Refunds</u>	<u>Totals(2)</u>
\$162,745	\$ 607,641	\$164,337	\$ 580,799	\$ 70,044	\$21,925,339
92,439	910,441	209,636	819,439	55,458	21,239,527
79,881	1,081,654	259,678	566,798	73,553	20,726,595
59,761	1,568,239	103,014	521,263	71,282	20,178,298
92,789	1,524,893	66,287	417,004	57,290	19,062,519
105,856	1,760,811	228,501	480,165	111,465	19,374,849
147,679	2,148,653	183,375	1,006,652	119,567	20,172,469
99,034	2,111,708	140,787	1,063,322	45,876	18,145,720
53,791	2,037,286	203,866	457,964	283,589	18,699,058
60,762	1,963,162	216,248	312,069	210,929	17,163,642

CITY OF MASON CITY, IOWA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment</u>	<u>Ag Land Taxes</u>	<u>Monies & Credits</u>	<u>Bank Franchise Tax</u>
2003-04	\$7,821,949	\$1,299,624	\$19,350	\$ -	\$72,000
2002-03	7,588,119	1,309,583	19,702	9,869	20,628
2001-02	7,415,453	1,250,365	20,034	10,396	30,554
2000-01	7,294,139	1,253,212	17,023	10,853	32,960
1999-00	6,969,773	1,301,360	17,880	10,884	27,965
1998-99	6,873,086	1,403,290	17,213	10,871	45,722
1997-98	6,493,592	1,298,252	17,036	10,884	41,100
1996-97	6,132,436	752,464	16,950	10,830	35,311
1995-96	6,109,281	699,016	16,285	10,884	32,774
1994-95	4,927,699	669,184	18,788	10,872	9,855

<u>Fiscal Year</u>	<u>Hotel/Motel Tax</u>	<u>Personal Property Replacement Tax</u>	<u>Utility Property Tax Replacement</u>	<u>Local Option Sales Tax</u>	<u>Total Taxes</u>
2003-04	\$299,046	\$ -	\$171,678	\$2,948,279	\$12,631,926
2002-03	282,093	176,219	211,951	3,644,836	13,263,000
2001-02	232,947	185,670	207,237	3,542,351	12,895,007
2000-01	216,012	193,829	209,489 (2)	3,091,868	12,319,385
1999-00	227,358	194,388	-	3,303,898	12,053,506
1998-99	215,218	194,157	-	3,177,723	11,937,280
1997-98	201,926	194,388	-	2,481,672	10,738,850
1996-97	193,904	193,411	-	1,945,661	9,280,967
1995-96	186,831	194,388	-	1,610,331	8,859,790
1994-95	179,744	194,182	-	1,701,552	7,711,876

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

(2) First year of tax

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Taxes</u>	
				<u>Outstanding</u>	<u>Amount Collected</u>
2003-04	\$8,107,644	\$8,106,119	99.98%	\$42,430	\$32,354
2002-03	7,477,389	7,659,053	102.42	68,320	21,190
2001-02	7,427,958	7,466,978	100.52	49,399	6,192
2000-01	7,117,890	7,380,199	103.69	27,628	(2,267)
1999-00	6,939,874	7,038,502	98.60	29,944	(3,252)
1998-99	6,886,315	6,992,757	98.48	24,063	(6,173)
1997-98	6,545,420	6,581,123	99.46	48,200	(2,175)
1996-97	6,120,082	6,046,004	98.79	31,687	(2,045)
1995-96	5,835,369	5,778,547	99.03	30,673	(78)
1994-95	5,360,499	5,353,845	99.88	31,698	(11,658)

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

REGULAR DISTRICTS

<u>Fiscal Year</u>	<u>CITY OF MASON CITY</u>			
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Retirement Millage</u>	<u>Total City Millage</u>
2003-04	8.82860	.59627	1.04206	10.46693
2002-03	8.66010	.73054	.85627	10.24691
2001-02	8.59876	.68841	.80790	10.09507
2000-01	8.58639	.75330	.77824	10.11793
1999-00	8.60974	1.05146	.42096	10.08216
1998-99	8.61839	1.41945	.39485	10.43269
1997-98	8.68331	1.24362	.23366	10.16059
1996-97	8.75311	.75268	.23366	9.73945
1995-96	8.31975	.80360	.22840	9.35175
1994-95	7.77506	.72468	.32621	8.82595

Source: Cerro Gordo County Auditor

See Accompanying Independent Auditor's Report.

CERRO GORDO COUNTY			MASON CITY COMMUNITY SCHOOL DISTRICT				
<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>	<u>Other</u>	<u>Total Millage</u>
4.59418	-	4.59418	13.65058	-	13.65058	3.00367	31.71536
4.59778	.10738	4.70516	14.15478	.95269	15.10747	3.00375	33.06329
4.59179	.10977	4.70156	13.30290	.93950	14.24240	3.00363	32.04266
4.82215	.32207	5.14422	12.82638	1.67361	14.49999	3.00375	32.76589
4.64182	.25671	4.89853	13.18502	1.75088	14.9359	3.00375	32.92034
4.85848	.04005	4.89853	14.09910	1.77721	15.87631	3.00375	34.21128
4.61076	.32782	4.93858	13.91631	.76929	14.68560	3.00375	32.78852
4.79670	.32836	5.12506	14.20478	.77827	14.98305	3.00361	32.85117
4.77303	.34104	5.11407	12.67529	.79956	13.47485	3.00365	30.94532
5.41292	.19448	5.60740	12.75125	.75845	13.50970	3.00375	30.94680

CITY OF MASON CITY, IOWA
 ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year	Property Valuations*		
	Real Property	Utilities	Total
2003-04	\$1,288,429,212	\$32,546,117	\$1,320,975,329
2002-03	1,201,819,643	35,492,451	1,237,312,094
2001-02	1,174,809,349	35,959,536	1,210,768,885
2000-01	1,122,339,108	34,542,151	1,156,881,259
1999-00	1,074,168,963	34,724,735	1,108,893,698
1998-99	990,715,775	35,171,743	1,025,887,518
1997-98	919,098,143	35,171,743	954,269,886
1996-97	910,543,658	34,688,505	945,232,163
1995-96	910,497,998	30,144,371	940,642,369
1994-95	825,939,898	43,538,322	869,478,220

*Assessed valuations are equal to actual valuations.

Source: City Assessor.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Current Assessments Due(1)</u>	<u>Current Assessments Collected(1)</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Assessments</u>
2003-2004	\$205,579	\$209,480	1.02 to 1	\$ 438,184
2002-2003	237,187	240,920	1.02 to 1	610,447
2001-2002	248,793	256,869	1.03 to 1	698,896
2000-2001	257,345	193,933	.80 to 1	955,684
1999-2000	235,216	179,394	.76 to 1	919,529
1998-1999	251,643	172,533	.69 to 1	923,375
1997-1998	234,845	233,709	.99 to 1	727,708
1996-1997	245,102	179,124	.73 to 1	939,749
1995-1996	256,163	266,578	1.04 to 1	844,464
1994-1995	290,632	215,260	.86 to 1	1,103,533

Source: Cerro Gordo County Treasurer

(1) Includes current and delinquent assessments

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
 VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS

<u>Levy Year</u>	<u>Population(1)</u>	<u>Assessed Value(2)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>
2003-04	29,172	\$1,320,975,329	\$ 7,140,000	\$1,221,315
2002-03	29,172	1,237,312,094	7,890,000	2,313,361
2001-02	29,172	1,210,768,885	4,850,000	2,161,895
2000-01	29,172	1,156,881,259	6,135,000	2,062,162
1999-00	29,040	1,108,893,698	7,350,000	1,772,200
1998-99	29,040	1,025,887,518	13,445,000	1,812,697
1997-98	29,040	954,269,886	15,700,000	1,836,005
1996-97	29,040	945,232,163	16,915,000	1,059,382
1995-96	29,040	940,642,369	17,865,000	120,776
1994-95	29,040	869,478,220	18,740,000	134,181

<u>Levy Year</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2003-04	\$ 5,918,685	.45	202.89
2002-03	5,576,639	.45	191.16
2001-02	2,688,105	.22	92.15
2000-01	4,072,838	.35	139.61
1999-00	5,577,800	.50	192.07
1998-99	11,632,303	1.13	400.56
1997-98	13,863,995	1.45	477.41
1996-97	15,855,618	1.68	545.99
1995-96	17,744,224	1.89	611.03
1994-95	18,605,819	2.14	640.70

Source:

- (1) U.S. Census Bureau
- (2) City Assessor

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 COMPUTATION OF LEGAL DEBT MARGIN
 JUNE 30, 2004

Actual assessed valuation as of January 1, 2003 (100% basis) (1):	
Real property	\$1,288,429,212
Utilities	<u>32,546,117</u>
Total actual valuation	<u><u>\$1,320,975,329</u></u>
 Debt Limit - 5% of actual valuation	 \$ 66,048,766
Amount of debt applicable to debt limit:	
Total general bonded debt	<u>10,361,213</u>
 Legal debt margin	 <u><u>\$ 55,687,553</u></u>

Source: (1) City Assessor

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 JUNE 30, 2004

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City Of Mason City</u>	<u>Amount Applicable To City Of Mason City</u>
City of Mason City	\$ 5,295,000	100.00%	\$ 5,295,000
Mason City Community School District	6,350,000	90.00%	5,715,000
Cerro Gordo County	1,460,000	47.45%	692,770
North Iowa Area Community College	<u>7,190,000</u>	-	<u>-</u>
Total	<u>\$20,295,000</u>		<u>\$11,702,770</u>

Source: Information provided by individual unit.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
 GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service(2)</u>	<u>(1) Total General Expenditures</u>	<u>Ratio of Debt Service To Total Expenditures</u>
2003-04	\$2,660,020	\$ 563,568	\$3,223,588	\$30,054,843	10.73%
2002-03	1,442,000	478,396	1,920,396	26,650,516	7.21
2001-02	1,285,000	337,315	1,622,315	20,664,062	7.85
2000-01	2,190,000	403,761	2,593,761	19,338,433	13.41
1999-00	6,870,000	590,760	7,460,760	23,986,360	31.10
1998-99	2,280,000	886,723	3,166,723	18,089,017	17.51
1997-98	1,872,500	1,072,403	2,944,903	22,519,433	13.08
1996-97	1,685,000	1,139,062	2,824,062	16,982,896	16.63
1995-96	1,785,000	1,232,053	3,017,053	17,378,872	17.36
1994-95	1,525,000	1,309,476	2,834,476	16,763,171	16.91

(1) Excludes Transfers To Other Funds.

(2) Amount includes General Obligation Bonds and General Obligation Notes.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
SEWER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses(1)</u>	<u>Net Revenue Available for Debt Service</u>
2003-04	\$2,014,835	\$1,491,459	\$ 523,376
2002-03	2,125,686	1,520,466	605,220
2001-02	2,077,256	1,285,030	792,226
2000-01	2,099,338	1,231,672	867,666
1999-00	2,188,815	1,321,564	867,251
1998-99	2,219,273	1,207,668	1,011,605
1997-98	2,283,774	1,284,140	999,634
1996-97	2,232,954	1,299,496	933,458
1995-96	2,054,985	1,112,237	942,748
1994-95	1,689,587	1,109,700	579,887

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2003-04	\$310,000	\$142,511	\$452,511	1.16
2002-03	295,000	156,546	451,546	1.34
2001-02	280,000	169,859	449,859	1.76
2000-01	265,000	182,450	447,450	1.94
1999-00	260,000	193,780	453,780	1.91
1998-99	245,000	205,216	450,216	2.25
1997-98	235,000	216,291	451,291	2.22
1996-97	220,000	226,805	446,805	2.09
1995-96	215,000	237,047	452,047	2.09
1994-95	160,000	182,779	342,779	1.69

(1) Total operating expenses exclusive of depreciation.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
WATER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses(1)</u>	<u>Net Revenue Available for Debt Service</u>
2003-04	\$3,542,206	\$2,178,226	\$1,363,980
2002-03	2,991,747	1,855,372	1,136,375
2001-02	2,381,344	1,810,814	570,530
2000-01	2,338,206	1,629,477	708,729
1999-00	2,430,550	1,652,308	778,242
1998-99	2,501,247	1,345,205	1,156,042
1997-98	2,372,362	1,485,935	886,427
1996-97	2,600,331	1,479,608	1,120,723
1995-96	2,710,272	1,596,884	1,113,388
1994-95	2,717,788	1,607,898	1,109,890

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2003-04	\$1,049,000	\$379,007	\$1,428,007	0.96
2002-03	375,000	88,206	463,206	2.45
2001-02	355,000	85,510	440,510	1.30
2000-01	340,000	103,870	443,870	1.60
1999-00	320,000	119,295	439,295	1.77
1998-99	305,000	134,347	439,347	2.63
1997-98	295,000	149,138	444,138	2.00
1996-97	280,000	163,199	443,199	2.53
1995-96	270,000	176,740	446,740	2.49
1994-95	260,000	189,782	449,782	2.47

(1) Total operating expenses exclusive of depreciation and amortization.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Per Capita Income(2)</u>	<u>Median Age(2)</u>	<u>School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>
2003-04	29,172	\$30,747	41.13	4,298	3.9
2002-03	29,172	27,680	40.30	4,357	3.5
2001-02	29,172	26,636	39.30	4,455	3.6
2000-01	29,172	28,024	39.52	4,482	2.7
1999-00	29,040	25,647	39.16	4,482	2.6
1998-99	29,040	24,052	38.63	4,667	2.0
1997-98	29,040	23,169	38.25	4,729	2.6
1996-97	29,040	22,833	37.84	4,831	3.2
1995-96	29,040	20,448	37.56	4,781	4.7
1994-95	29,040	20,326	37.30	4,717	3.5

Source: (1) U.S. Census Bureau decennial census
 (2) Department of Economic Development, State Demographer
 (3) Mason City Community School District
 (4) Iowa Workforce Development

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUE
LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction (1)		Residential Construction (1)	
	Number of Units	Value	Number of Units	Value
2003-04	19	\$ 4,041,843	42 single 14 apt.	\$7,609,151 3,965,679
2002-03	15	3,941,773	44 single 9 apt.	6,535,797 4,378,935
2001-02	18	18,233,639	35 single 5 apt.	5,574,207 3,803,793
2000-01	14	6,982,849	33 single 4 apt.	5,002,326 809,130
1999-00	17	11,061,601	42 single 5 apt.	6,821,088 1,222,163
1998-99	8	6,948,703	51 single 5 apt.	7,028,051 3,583,928
1997-98	3	986,823	37 single 4 apt.	4,723,321 1,378,521
1996-97	19	6,314,405	51 single 3 apt.	6,099,837 3,787,081
1995-96	11	7,252,242	68 single 2 apt.	8,245,654 737,822
1994-95	17	3,492,226	47 single 2 apt.	4,037,230 1,901,833

Fiscal Year	Bank Deposits (4)	Property Value (2)		
		Commercial	Residential	Exemptions
2003-04	\$546,214,596	\$311,548,936	\$867,499,879	\$104,066,090
2002-03	531,310,523	306,387,380	790,087,827	105,344,436
2001-02	426,122,736 (5)	293,473,167	777,136,361	104,328,187
2000-01	475,569,828 (6)	276,169,772	766,841,430	95,402,953
1999-00	433,360,057 (6)	247,073,218	752,443,729	83,094,468
1998-99	514,530,372 (6)	240,801,080	704,563,723	103,830,472
1997-98	520,030,562	217,109,043	630,018,235	103,830,472
1996-97 (3)	512,960,781	211,977,253	559,095,998	102,823,148
1995-96	579,917,000	213,279,008	548,685,211	97,690,018
1994-95	658,900,000	202,325,913	477,469,215	97,359,712

Source: (1) City Building Inspector
(2) City Assessor
(3) Changed from calendar to fiscal year end reporting
(4) Individual Mason City banks
(5) Does not include information for Bank of America which was not available
(6) Does not include information for U.S. Bank which was not available

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
PRINCIPAL TAXPAYERS
JUNE 30, 2004

Taxpayer	2004 Assessed Valuation (Real and Personal Property) (1)	Percentage of Total Assessed Valuation
Interstate Power Company	\$ 23,166,771	1.75%
Lehigh Portland Cement Company	17,713,266	1.34
AADG, Inc.	14,870,817	1.13
Northwestern States Cement - Holnam	14,257,896	1.08
Downtown Mall Associates	12,082,830	.91
Mills Fleet Farm	10,017,162	.76
Principal Mutual Life	8,779,280	.66
Wal-Mart	8,552,390	.65
CAG Subsidiary, Inc.	7,180,840	.54
Dayton Hudson	7,120,080	.54
Mason City Shopping Center, Ltd.	6,716,510	.51
Sunny Fresh Foods	6,413,600	.49
Menards	5,963,180	.45
Qwest	5,789,497	.44
MDG	5,054,220	.38
General Foods Corporation	4,782,210	.36
Automotive Northern	3,986,200	.30
Agri Industries	3,767,059	.29
Mason City Shopping Center (S. Federal)	3,748,150	.28
Woodharbor	<u>3,650,000</u>	<u>.27</u>
Total	<u>\$173,611,658</u>	<u>13.14%</u>

Source: (1) City Assessor

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 MISCELLANEOUS STATISTICS
 JUNE 30, 2004

Date of Incorporation	December 21, 1869
Form of Government	City 2nd Class 1881 Commission form of government 1913 City of First Class 1916 Manager form of government 1945 Mayor - Council form of government 1945
Area (Square Miles)	26.43
Miles of Street	
Paved	147.70
Unpaved	<u>42.12</u>
Total	189.82
Miles of Sewers:	
Storm	46.26
Sanitary	<u>158.30</u>
Total	204.56
Building Permits--2003-04:	
Permits issued	3,901
Estimated cost	\$68,509,700
Fire Protection:	
Number of stations	1
Number of employees	44
Police Protection:	
Number of stations	1
Number of employees	65
Recreation:	
Number of parks	41
Number of acres for all parks	639
Number of playgrounds	12
Number of golf courses	1
Number of swimming pools	1
Number of tennis courts	7
Number of softball diamonds	8
Number of baseball diamonds	4
Cemeteries:	
Number of facilities	1
Number of acres	100
Libraries:	
Number of items in collections	106,209
Number of street lights	1,714

(continued)

TABLE 19
(continued)

Employees as of June 30, 2004:	
Full-time by departments:	
City Hall	1
Personnel	2
City Administrator	2
Airport	4
Library	13
Museum	6
Cemetery	3
Clerk	3
Community Development	9
Engineering	6
Finance	5
Fire (Civilian)	1
Neighborhood Services	2
Building Inspection	3
Electrical Inspection	1
Plumbing Inspection	1
Human Rights	2
Mayor's Office	1
Park	7
Golf Course	2
Recreation	4
Police (Civilian)	16
Refuse (Sanitation)	12
Streets, Arborist and Internal Services	21
Public transit	17
Water Distribution-Production-Storeroom-Cashier	19
Water Reclamation	16
Youth Task Force	3
Elections:	
Last general election	November, 2002
Registered voters	19,354
Number of votes cast	6,345
Percentage of registered voters voting	32.78%
Population:	
1870	1,183
1880	2,510
1890	4,007
1900	6,746
1910	11,230
1920	20,065
1930	23,304
1940	27,080
1950	27,980
1960	30,642
1970	31,839
1980	30,144
1990	29,040
2000	29,172

See Accompanying Independent Auditor's Report.

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