

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2005

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

INTRODUCTORY SECTION

**CITY OF MASON CITY, IOWA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2005**

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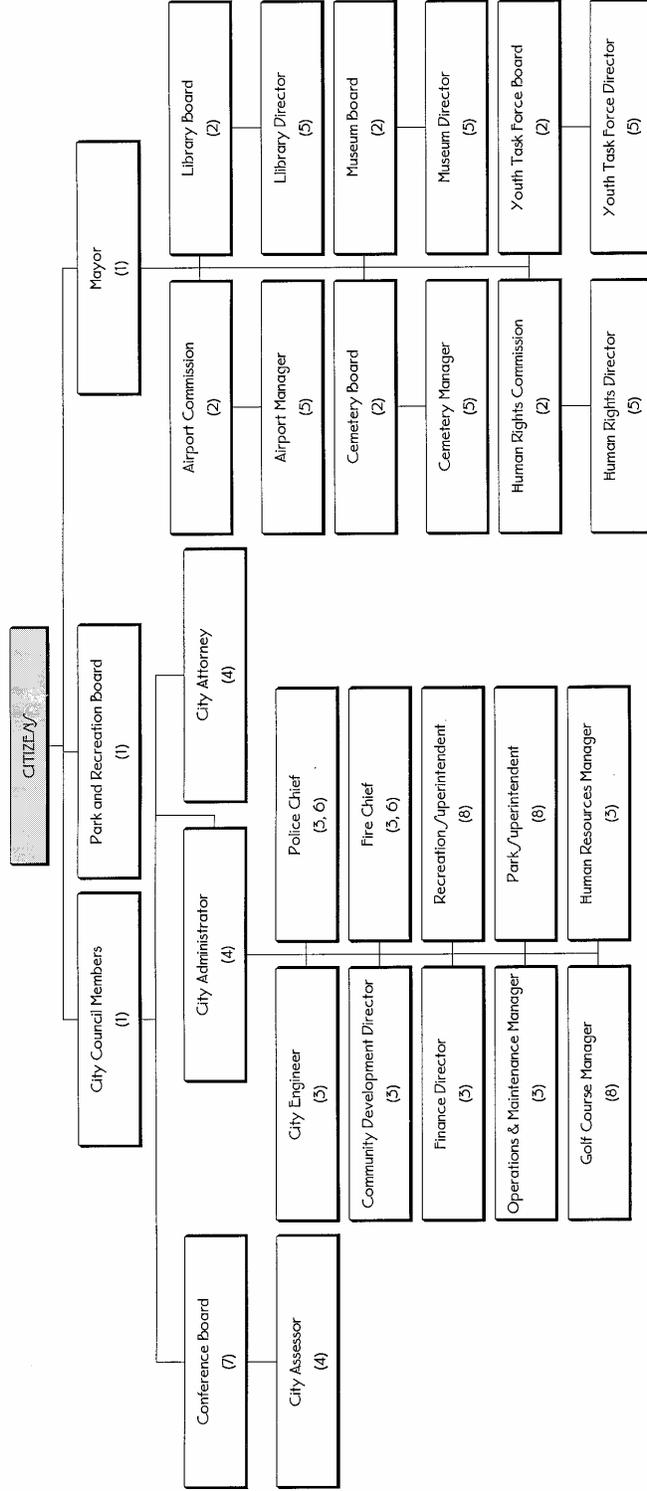
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CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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 (resigned 6-30-05)	City Administrator/Clerk	2006
Dirk Jablonski (resigned 1-7-05)	Public Works Director	2006
Gary Wilfong (effective 1-7-05)	Acting Public Works Director	2006
Kevin Jacobson	Director of Finance/Treasurer	2006
Tom Meyer	Attorney	2006
James Locher	Airport Attorney	2006
David Ellingson	Police Chief	2006
Bob Platts	Fire Chief	2006
Myrtle Nelson	Community Development Director	2006
William Stangler	Operations and Maintenance Manager	2006
Brian Carrot	Human Resources Manager	2006
Mark Suby	Parks Manager	2006
Dan Brown	Recreation Manager	2006
Pam Osgood (effective 1-1-05)	Airport Manager	2006
Sheila Perry	MacNider Museum Director	2006
Penny Morehead	Acting Library Director	2006
Mark Halverson	Elmwood Cemetery Manager	2006
Lionel Foster	Human Rights Director	2006

City of Mason City



LEGEND:

- (1) ELECTED by Voters
- (2) APPOINTED by Mayor with City Council approval
- (3) APPOINTED by Administrator with City 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



10 1st Street NW . Mason City, IA 50401

December 20, 2005

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, 2005 (FY05) 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, 2004. 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, 2005, 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.

GAAP require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Mason City's MD&A can be found immediately following the report of the independent auditors.

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 2004-2005 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:

- R.J. Corman Derailments Services brought eight positions to the area with salaries in the \$15 per hour range
- Golden Grain Energy announced a proposed \$40 million expansion project
- Kraft Foods expanded with a \$15 million expansion of production lines
- ConAgra Foods after consolidating some of their Midwest operations to their Mason City facility invested over \$30 million in plant upgrades and equipment purchases.
- Lehigh Portland Cement Company - completed a \$33 million expansion project
- Intradyn, Inc. located in Mason City bringing a projected 63 technology based jobs to Mason City in the next 3 years
- LXI Corporation announced they will locate in downtown Mason City bringing 43 technology jobs in the next 3 years and leasing a major portion of a vacant downtown building
- Freedom Fuels, LLC a \$44 million biodiesel production facility was proposed and will begin construction in the spring of 2006. The project will result in 30+ jobs at wages exceeding \$15.50 per hour plus benefits.

To recruit new companies the MCEDC worked directly and indirectly with over 36 companies that are contemplating expansion to Cerro Gordo County, exhibited at several major trade shows throughout the country, called on businesses for recruitment purposes around the country, and recruited businesses with direct mailings, newsletters, and via the MCEDC website. A newly created newsletter was also spearheaded and facilitated for the Mason City Municipal Airport by the MCEDC. 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 industries, 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 on their needs to be successful in the Mason City community. The MCEDC in conjunction with its partnership, the North Central Iowa Growth Partnership, spearheaded the Marketing Alliance - a seven county coalition that will provide regional strength in our marketing efforts.

EXPANDED AND NEW INDUSTRIES

The valuation of new or expanded industrial development totaled \$146,800, while new or expanded commercial development totaled \$16,376,564. Sunny Fresh Foods \$146,800 remodeling project was the front-runner for industrial development. The commercial sector experienced development of 18 new structures in addition to 29 major expansions and remodeling projects. Three major developments in our commercial sector were the construction projects for the \$3,356,596 Kohl's Dept Store, Mercy Medical Ambulatory Service Center for \$1,996,580, and the new NIACOG transit facility for \$1,242,996. The Country Inn & Suites remodel /expansion project was also completed with a \$759,649 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 Flooring Gallery, United Rental, Menards, Decker Truck Lines, Famous Footwear, Picnic Basket, Radio Shack, Maurices, Fashion Bug, Cabin Coffee, Great Clips, PostNet, Carousel Condos, Eastside Storage, Ron Steward Office Building, Slumberland, Good Shepherd, No. Iowa Eye Clinic, Hy-Vee, Fastenal, 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 Mercy Ambulatory Service, Kohl's Dept. Store, NIACOG, Good Shepherd, North Iowa Eye Clinic, Mercy Medical Center, Radiologists of North Iowa, either expanded or opened new facilities. In addition, 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. Issued low-interest loans for business development and façade improvement.
2. Applied to Main Street Iowa for assistance with renovation of the Kresge Building.
3. Received Cultural and Entertainment District designation.
4. Through Main Street Iowa architects developed façade designs for six Downtown and North Federal buildings.
5. Doubled the number of events by the MCDA.
6. Provided individual sessions and one group session with a national speaker to educate the business community on marketing.
7. Completed a survey of 55 stakeholders throughout the community regarding Downtown in preparation for developing a new Downtown Strategy.

HOUSING

Housing construction for Fiscal Year 2005 included 55 single-family dwellings and two duplexes (four units), for a total of 59 new housing units. The number of single family dwelling units built was higher than that of previous years. Five single-family dwellings were demolished, however, no duplex or multi-family dwellings were demolished. After reducing the number of housing units built by the number demolished, the net gain for housing in FY05 totals 50 single-family homes and two duplexes, which equates to 54 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 grant was received in the amount of \$193,582 to assist four low- and moderate-income, first-time homebuyers. Funds will be used to assist with down payment, closing costs and/or mortgage buy-down, as well as, housing rehabilitation in support of homeownership. A 2006 Housing Fund application was submitted requesting \$347,750 to assist homeowners in the Home Park Neighborhood with housing rehabilitation. Awards will be announced in March 2006.

TRAFFIC

In 2005, 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 12th Street and North Federal Avenue.

The 12th Street Overpass was completed over the Union Pacific Railroad west of Monroe Avenue.

Approximately 3.43 miles of existing paving was resurfaced to extend the life of the pavement and to improve rideability.

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, 2005 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 whole 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, 2005.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$11,585,473	45.23%
Licenses and Permits	752,700	2.94
Intergovernmental	9,835,018	38.39
Service Revenues	709,052	2.77
Fines and Forfeitures	228,678	0.89
Use of Monies and Properties	1,271,579	4.96
Special Assessments	90,348	.35
Miscellaneous	1,057,554	4.12
Refunds	86,170	0.35
Total	<u>\$25,616,572</u>	<u>100.00%</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, 2005.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$ 7,396,491	27.14%
Public Works	2,695,330	9.89
Health and Social Services	638,500	2.34
Culture and Recreation	2,395,265	8.78
Community & Economic Development	2,741,518	10.06
General Government	2,114,246	7.75
Capital Projects	7,504,235	27.53
Debt Service	1,769,342	6.51
Total	<u>\$27,254,927</u>	<u>100.00%</u>

GENERAL FUND BALANCE

The General Fund closed the FY05 with a fund balance of \$9,264,414 compared to \$9,167,240 on June 30, 2004. This was due to a \$97,174 excess of revenues over expenditures for FY05.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$86,082 in FY05, an increase of 7.8% from FY04. Operating expenses were \$234,979 in FY05, an increase of 1.9% from FY04. Net income was \$40,831 in FY05, a 300.8% increase from FY04.
2. Waterworks Fund - Operating revenues were \$3,996,205 in FY05, an increase of 41.0% from FY04. Operating expenses were \$3,045,050 in FY05, an increase of 14.3% from FY04. Net income was \$2,315,909 in FY05, a 37.9% decrease from FY04.
3. Sewer Rental Fund - Operating revenues were \$2,266,930 in FY05, an increase of 12.5% from FY04. Operating expenses were \$2,320,275 in FY05, an increase of 6.6% from FY04. Net income was \$(339) in FY05, a 102.0% decrease from FY04.
4. Parking Lots Fund - Operating revenues were \$28,849 in FY05, a decrease of 39.8% from FY04. Operating expenses were \$93,862 in FY05, a decrease of 0.5% from FY04. Net income was \$(44,504) in FY05, a 148.7% decrease from FY04.
5. Storm Sewer Fund - Operating revenues were \$188,212 in FY05, a 2.1% increase from FY04. Operating expenses were \$122,333 in FY05, a 12.4% increase from FY04. Net income was \$101,882 in FY05, a 34.3% decrease from FY04.
6. Solid Waste Fund - Operating revenues were \$953,381 in FY05, an increase of 1.3% from FY04. Operating expenses were \$991,645 in FY05, an increase of 6.2% from FY04. Net income was \$(34,089) in FY05, a 2,200.1% decrease from FY04.
7. Golf Course Fund - Operating revenues were \$292,528 in FY05, an increase of 3.4% from FY04. Operating expenses were \$318,492 in FY05, an increase of 3.0% from FY04. Net income was \$(19,627) in FY05, a 208.5% decrease from FY04.
8. Ambulance Fund - Operating revenues were \$1,060,947 in FY05, an increase of 1,695.7% from FY04. Operating expenses were \$849,986 in FY05, an increase of 303.4% from FY04. Net income was \$207,788 in FY05, an increase of 234.4% from 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, 2005:

		RATIOS	
	Amount	Debt to Assessed Value	Debt per Capita
Net Bonded Debt	\$7,683,800	0.57%	\$263.40

The City issued \$4,645,000 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 \$756,690 on all investments for the year ended June 30, 2005.

For the fiscal period ended June 30, 2005, interest income was as follows:

<u>Fund Type</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
General Fund	\$258,695	\$127,332
Special Revenue Funds	301,315	305,215
Capital Projects Funds	7,659	39,780
Enterprise Funds	89,091	36,540
Permanent Funds	48,750	37,866
Debt Service Funds	16,832	20,994
Fiduciary Funds	-	64
Internal Service Funds	<u>34,348</u>	<u>22,498</u>
Total Interest Earned	<u>\$756,690</u>	<u>\$590,289</u>

The increase in earnings on idle funds invested for the year ending June 30, 2005 was due to the increase 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 FY05 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, 2004. This was the nineteenth 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 and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



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, 2004

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



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



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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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Road Use Tax 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, under separate cover, dated December 20, 2005 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 11 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, 2005 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 Krauloge

December 20, 2005

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, 2005. 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-xi 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, 2005, by \$103.05 million (net assets). Of this amount, \$24.16 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 \$12.86 million.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$22.68 million, an increase of 1.25% as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$9.05 million, or 56.4% of the total general fund expenditures.
- Total debt increased by \$2.5 million (8.5%) during the current fiscal year. The City issued \$5.3 million of new bonds and retired \$2.8 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, ambulance services, 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 12-15 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 12th Street NW Overpass 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 16-25 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 26-35 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 36-37 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 38-60 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 \$103,054,354 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, 2005 and June 30, 2004.

City of Mason City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current & other assets	\$ 36,494,940	\$35,487,588	\$ 5,408,436	\$ 3,938,139	\$ 41,903,376	\$39,425,727
Capital assets	52,863,391	43,854,814	53,504,452	52,131,467	106,367,843	95,986,281
Total assets	89,358,331	79,342,402	58,912,888	56,069,606	148,271,219	135,412,008
Long-term liabilities outstanding	9,871,539	9,056,370	18,019,726	16,318,537	27,891,265	25,374,907
Other liabilities	14,392,748	13,089,320	2,932,852	4,186,917	17,325,600	17,276,237
Total liabilities	24,264,287	22,145,690	20,952,578	20,505,454	45,216,865	42,651,144
Net Assets:						
Invested in capital assets, net of related debt	41,643,488	33,654,513	34,113,573	34,673,507	75,757,061	68,328,020
Restricted	1,217,609	1,635,739	1,920,304	2,130,904	3,137,913	3,766,643
Unrestricted	22,232,947	21,906,460	1,926,433	(1,240,259)	24,159,380	20,666,201
Total	\$ 65,094,044	\$57,196,712	\$37,960,310	\$35,564,152	\$ 103,054,354	\$92,760,864

A portion of the City of Mason City's net assets (3.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$22,232,947) 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 the government as a whole, as well as for its separate governmental and business-type activities. As projects are finalized and closed, the majority are 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	
	2005	2004	2005	2004	2005	2004
Revenues:						
Charges for services	\$ 1,787,233	\$ 1,707,961	\$ 8,901,807	\$ 7,192,341	\$ 10,689,040	\$ 8,900,302
Operating grants & contributions	3,200,201	2,982,349	-	-	3,200,201	2,982,349
Capital grants & contributions	7,357,615	1,404,793	1,236,866	3,289,676	8,594,481	4,694,469
General Revenues:						
Taxes	15,692,418	17,069,573	87,090	83,372	15,779,508	17,152,945
Investment earnings	1,340,758	693,661	182,609	65,418	1,523,367	759,079
Miscellaneous	259,635	279,303	33,248	34,190	292,883	313,493
Total revenues	\$29,637,860	\$24,137,640	\$10,441,620	\$10,664,997	\$ 40,079,480	\$34,802,637
Expenses:						
Public safety	\$ 7,926,815	\$ 7,651,154	\$ -	\$ -	\$ 7,926,815	\$ 7,651,154
Public works	4,320,043	5,408,728	-	-	4,320,043	5,408,728
Health & social services	661,340	556,758	-	-	661,340	556,758
Culture & recreation	2,852,682	2,739,284	-	-	2,852,682	2,739,284
Community & economic development	2,886,020	3,885,016	-	-	2,886,020	3,885,016
General government	2,215,481	2,013,286	-	-	2,215,481	2,013,286
Interest on debt	521,935	589,257	-	-	521,935	589,257
Water	-	-	3,165,550	2,755,310	3,165,550	2,755,310
Sewer	-	-	2,519,795	2,375,568	2,519,795	2,375,568
Other	-	-	2,716,329	1,972,165	2,716,329	1,972,165
Total expenses	\$21,384,316	\$22,843,483	\$ 8,401,674	\$ 7,103,043	\$ 29,785,990	\$29,946,526
Increase in net assets before transfers	\$ 8,253,544	\$ 1,294,157	\$ 2,039,946	\$ 3,561,954	\$ 10,293,490	\$ 4,856,111
Transfers	(356,212)	58,651	356,212	(58,651)	-	-
Increase in net assets	\$ 7,897,332	\$ 1,352,808	\$ 2,396,158	\$ 3,503,303	\$ 10,293,490	\$ 4,856,111
Net assets 7-1-2004	57,196,712	55,843,904	35,564,152	32,060,849	92,760,864	87,904,753
Net assets 6-30-2005	\$65,094,044	\$57,196,712	\$37,960,310	\$35,564,152	\$103,054,354	\$92,760,864

Governmental Activities

The governmental activities' net assets for the City of Mason City increased by \$7,897,332 during the current fiscal year, accounting for 76.7% 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 the 12th Street overpass construction, street construction and park improvements.

Business-type Activities

Total assets increased by \$2,843,282 for fiscal year 2005, accounting for 22.0% 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 20.1%. Utility rate increases of 5.93% for Water and 5.83% for Sewer were enacted July 1, 2005.

Operating expenses for business type activities increased by 18.3%. Water expenses increased by 14.9%, while Sewer expenses increased by 6.1%.

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 \$22,687,511, an increase of \$144,038 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 (\$769,200); 2) for cemetery perpetual care (\$448,409); and 3) prepaid expenditures (\$338,957).

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 \$9,052,118 while total fund balance reached \$9,264,414. 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 56.4% of total general fund expenditures, while total fund balance represents 57.7% of that same amount.

The General Fund balance increased by \$97,174 during the current fiscal year. Key factors in this minimal growth are as follows:

- Revenues for all sources were below budget projections. Overall, general fund revenues were below budget by 21.8%.
- Revenue categories where revenues were weaker than anticipated include intergovernmental and charges for services.
- Overall expenditures were under approved budget by 27.4%. All Divisions came in under budget, with the exception of public safety.

The debt service fund has a total fund balance of \$769,200, 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 payment of the new bond issues interest not currently certified on the debt service levy.

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

- \$2,585,000 General Obligation bonds for Street Improvements, Water Improvements and Wastewater Projects.
- \$500,000 General Obligation Note for Airport, Animal Control shelter and Police and Fire projects
- 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 16-25.

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 \$2,526,214. Water reported an increase in net assets of \$2,315,909 and Sewer reported a decrease of \$339.

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 substantially 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 \$3,520,154 and the significant items are summarized as follows:

- Public safety salaries were increased by \$66,000 and funded through General Fund reserves.
- Youth Task Force services were increased by \$321,970 and funded through state grants.
- Water bonds for \$460,000 were called.
- Northbridge street debt for \$155,000 was paid early.
- Ambulance services for \$1,253,775 were budgeted due to startup of the new service.

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, 2005, amounts to \$106,367,843 (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 the overpass were completed.
- The Airport completed a runway reconstruction project.
- Several parks enhancements were completed including improvements to Rorick Park and the Aquatic Center.

**City of Mason City’s Capital Assets
(net of depreciation)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 2,478,356	\$ 1,712,025	\$ 4,803,362	\$ 4,803,362	\$ 7,281,718	\$ 6,515,387
Buildings & structures	2,836,763	2,856,385	2,126,534	1,798,077	4,963,297	4,654,462
Other improvements	5,346,145	5,360,773	238,345	235,401	5,584,490	5,596,174
Machinery & equipment	1,191,492	1,347,350	21,945,262	22,225,477	23,136,754	23,572,827
Vehicles	2,535,876	2,095,149	1,130,934	1,020,399	3,666,810	3,115,548
Infrastructure	28,181,231	25,307,966	-	-	28,181,231	25,307,966
Construction in progress	10,293,528	5,175,166	23,260,015	22,048,751	33,553,543	27,223,917
Total	\$ 52,863,391	\$ 43,854,814	\$ 53,504,452	\$ 52,131,467	\$ 106,367,843	\$ 95,986,281

Additional information on the City of Mason City’s capital assets can be found in note 6 on pages 49-50 of this report.

Long-Term Debt

The amount of debt outstanding at fiscal year end was \$30.75 million as compared to \$28.3 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, \$8.5 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			
	2005	2004	2005	2004	2005	2004
General obligation	\$ 8,509,125	\$ 7,554,980	\$ -	\$ 60,000	\$ 8,509,125	\$ 7,614,980
Revenue bonds	2,719,272	2,695,000	19,390,879	17,833,640	22,110,151	20,528,640
Equipment purchase contract	126,867	186,233	-	-	126,867	186,233
Total	\$ 11,355,264	\$ 10,436,213	\$ 19,390,879	\$ 17,893,640	\$ 30,746,143	\$ 28,329,853

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 52-53.

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 \$67,400,322, and the City of Mason City is currently at \$13,751,129 or 20.4% 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 52-56 of this report.

Economic Factors and Next Year's Budget and Rates

- The national average unemployment for the calendar year to date (January to November 2005) is 5.0%. The unemployment level for the same period in 2004 averaged 5.4%. Cerro Gordo County's rate is somewhat lower at 4.9%, and the state's rate is lower still at 4.7%.
- The hourly wage rate in Cerro Gordo County averaged \$12.60 for 2004 and has risen to \$14.08 for 4th Quarter FY 2005.
- Retail sales in the Cerro Gordo County were \$483 million for fiscal year 2005 compared to \$556 million in fiscal year 2004.
- The total value of building permits for fiscal year 2005 was approximately \$49 million. This compares with an amount of \$43 million for fiscal year 2004.

Next Year's Budget and Rates

For FY 2007, department managers were again instructed to minimize any changes in budget in anticipation of stagnant revenues. However, certain costs such as payroll, insurance and utilities 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 8.0% for FY 2007. Several capital projects are currently under consideration for the FY 2007 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, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ 8,939,638	\$ 2,240,440	\$ 11,180,078
Investments	13,963,526	501,682	14,465,208
Receivables:			
Taxes	9,467,238	94,042	9,561,280
Special assessments	143,199	41,948	185,147
Accounts (net)	35,095	1,089,961	1,125,056
Accrued interest	69,139	1,368	70,507
Internal balances	811,368	(811,368)	-
Due from other governments	2,083,751	-	2,083,751
Prepaid insurance	217,582	32,875	250,457
Prepaid expenses	121,375	-	121,375
Inventory	-	285,918	285,918
Total current assets	<u>\$35,851,911</u>	<u>\$ 3,476,866</u>	<u>\$ 39,328,777</u>
Noncurrent assets:			
Restricted assets:			
Cash	\$ 15,332	\$ 1,915,924	\$ 1,931,256
Investments	432,153	-	432,153
Receivables	924	4,380	5,304
Special assessments	194,620	11,266	205,886
Capital assets:			
Land and construction in progress	12,771,884	28,063,377	40,835,261
Other capital assets net of depreciation	40,091,507	25,441,075	65,532,582
Total noncurrent assets	<u>\$53,506,420</u>	<u>\$55,436,022</u>	<u>\$108,942,442</u>
Total assets	<u>\$89,358,331</u>	<u>\$58,912,888</u>	<u>\$148,271,219</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 1,310,945	\$ 308,785	\$ 1,619,730
Salaries payable	414,620	125,163	539,783
Contracts payable	695,479	660,174	1,355,653
Accrued compensated absences	863,835	223,445	1,087,280
Accrued interest payable	40,926	52,395	93,321
Due to other governments	139,433	19,171	158,604
Due to customers	-	39,330	39,330
Unearned revenue	9,554,547	104,580	9,659,127
Prepaid interments	-	28,656	28,656
Current portion of long-term debt:			
Bonds payable	1,286,328	243,689	1,530,017
Equipment purchase contract	62,038	1,033,000	1,095,038
Capital lease	-	94,464	94,464
Settlement payable	24,597	-	24,597
Total current liabilities	<u>\$14,392,748</u>	<u>\$ 2,932,852</u>	<u>\$ 17,325,600</u>
Noncurrent liabilities:			
Bonds payable	\$ 9,885,944	\$17,859,959	\$ 27,745,903
Equipment purchase contract	64,829	-	64,829
Capital lease	-	305,378	305,378
Settlement payable	31,546	-	31,546
Discount on bonds payable	(17,214)	(145,611)	(162,825)
Excess refunding debt costs	(93,566)	-	(93,566)
Total noncurrent liabilities	<u>\$ 9,871,539</u>	<u>\$18,019,726</u>	<u>\$ 27,891,265</u>
Total liabilities	<u>\$24,264,287</u>	<u>\$20,952,578</u>	<u>\$ 45,216,865</u>

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET ASSETS:			
Invested in capital assets-net of related debt	\$41,643,488	\$34,113,573	\$ 75,757,061
Restricted for:			
Bond retirement	769,200	1,920,304	2,689,504
Perpetual care	448,409	-	448,409
Unrestricted	<u>22,232,947</u>	<u>1,926,433</u>	<u>24,159,380</u>
Total net assets	<u>\$65,094,044</u>	<u>\$37,960,310</u>	<u>\$103,054,354</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

<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	\$ 7,926,815	\$ 569,319	\$ 266,745
Public works	4,320,043	155,887	16,082
Health and social services	661,340	5,491	397,912
Culture and recreation	2,852,682	443,535	439,317
Community and economic development	2,886,020	131,380	2,078,645
General government	2,215,481	481,621	1,500
Interest on long-term debt	521,935	-	-
Total governmental activities	<u>\$21,384,316</u>	<u>\$ 1,787,233</u>	<u>\$3,200,201</u>
Business-type activities:			
Cemetery	\$ 243,474	\$ 86,082	\$ -
Water	3,165,550	3,996,205	-
Sewer	2,519,795	2,275,044	-
Parking lots	96,321	49,358	-
Storm sewer	122,333	188,212	-
Solid waste	1,020,631	953,381	-
Golf course	326,498	292,528	-
Ambulance	907,072	1,060,997	-
Total business-type activities	<u>\$ 8,401,674</u>	<u>\$ 8,901,807</u>	<u>\$ -</u>
Total primary government	<u>\$29,785,990</u>	<u>\$10,689,040</u>	<u>\$3,200,201</u>

General Revenues:
 Property taxes
 Other taxes
 Franchise taxes
 Road use tax
 Unrestricted state utility tax replacement
 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>
\$ 4,000	\$(7,086,751)	\$ -	\$ (7,086,751)
5,600,449	1,452,375	-	1,452,375
-	(257,937)	-	(257,937)
349,024	(1,620,806)	-	(1,620,806)
1,404,142	728,147	-	728,147
-	(1,732,360)	-	(1,732,360)
-	(521,935)	-	(521,935)
<u>\$7,357,615</u>	<u>\$(9,039,267)</u>	<u>\$ -</u>	<u>\$ (9,039,267)</u>
\$ -	\$ -	\$ (157,392)	\$ (157,392)
1,199,275	-	2,029,930	2,029,930
9,391	-	(235,360)	(235,360)
-	-	(46,963)	(46,963)
28,200	-	94,079	94,079
-	-	(67,250)	(67,250)
-	-	(33,970)	(33,970)
-	-	153,925	153,925
<u>\$1,236,866</u>	<u>\$ -</u>	<u>\$ 1,736,999</u>	<u>\$ 1,736,999</u>
<u>\$8,594,481</u>	<u>\$(9,039,267)</u>	<u>\$ 1,736,999</u>	<u>\$ (7,302,268)</u>
	\$ 9,449,162	\$ 87,090	\$ 9,536,252
	3,628,930	-	3,628,930
	12,883	-	12,883
	2,422,050	-	2,422,050
	161,992	-	161,992
	17,401	-	17,401
	1,340,758	182,609	1,523,367
	259,635	33,248	292,883
	(356,212)	356,212	-
	<u>\$16,936,599</u>	<u>\$ 659,159</u>	<u>\$ 17,595,758</u>
	\$ 7,897,332	\$ 2,396,158	\$ 10,293,490
	57,196,712	35,564,152	92,760,864
	<u>\$65,094,044</u>	<u>\$37,960,310</u>	<u>\$103,054,354</u>

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2005

	General	Road Use Tax
ASSETS:		
Cash	\$ 2,964,400	\$ 913,342
Investments	6,375,000	500,000
Receivables:		
Property taxes	6,985,982	-
Other taxes	9,546	-
Special assessments - current	107,554	-
Special assessments - deferred	104,960	-
Accounts	33,925	1,168
Accrued interest	56,783	-
Due from other funds	325,750	3,244
Due from state government	280,177	189,828
Due from federal government	1,113,063	-
Prepaid insurance	212,296	5,286
Prepaid expenditures	-	-
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
Total assets	\$18,569,436	\$ 1,612,868
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	\$ 291,427	\$ 51,765
Salaries payable	375,932	26,727
Contracts payable	136,952	157,214
Accrued compensated absences	771,338	70,108
Due to other funds	624,469	308,956
Due to state government	3,577	-
Due to federal government	-	-
Unearned revenue	7,076,730	-
Settlement payable	24,597	-
Total liabilities	\$ 9,305,022	\$ 614,770
Fund balances:		
Reserved for:		
Prepaid insurance	\$ 212,296	\$ 5,286
Prepaid expenditures	-	-
Perpetual care	-	-
Debt service	-	-
Unreserved:		
General	9,052,118	-
Special revenue	-	992,812
Capital project	-	-
Permanent	-	-
Total fund balances	\$ 9,264,414	\$ 998,098
Total liabilities and fund balance	\$18,569,436	\$ 1,612,868

(continued)

<u>12th Street NW Overpass</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 1,338,041	\$ 2,875,895	\$ 8,091,678
-	6,862,311	13,737,311
-	1,742,887	8,728,869
-	-	9,546
-	35,645	143,199
-	89,660	194,620
-	-	35,093
-	11,755	68,538
1,466,744	1,519,837	3,315,575
-	314,486	784,491
-	159,897	1,272,960
-	-	217,582
-	121,375	121,375
-	15,332	15,332
-	432,153	432,153
-	924	924
<u>\$ 2,804,785</u>	<u>\$14,182,157</u>	<u>\$37,169,246</u>

\$ -	\$ 156,665	\$ 499,857
-	7,330	409,989
298,363	102,950	695,479
-	13,389	854,835
-	2,051,884	2,985,309
-	428	4,005
-	135,428	135,428
-	1,795,506	8,872,236
-	-	24,597
<u>\$ 298,363</u>	<u>\$ 4,263,580</u>	<u>\$14,481,735</u>

\$ -	\$ -	\$ 217,582
-	121,375	121,375
-	448,409	448,409
-	769,200	769,200
-	-	9,052,118
-	5,662,357	6,655,169
2,506,422	2,125,309	4,631,731
-	791,927	791,927
<u>\$ 2,506,422</u>	<u>\$ 9,918,577</u>	<u>\$22,687,511</u>
<u>\$ 2,804,785</u>	<u>\$14,182,157</u>	<u>\$37,169,246</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Fund balances—total governmental funds		\$22,687,511
Amounts reported for governmental activities in the statement of net assets are different because:		
Other assets not available to pay for current-period expenditures and, therefore, are deferred in the funds.		82,908
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		52,790,483
Internal service funds, net assets		793,973
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:		
Bonds payable	\$(11,172,272)	
Equipment purchase contract	(126,867)	
Settlement payable	(31,546)	
Accrued interest	(40,926)	
Bond discount	17,214	
Excess refunding bond costs	93,566	
		<u>(11,260,831)</u>
Net assets of governmental activities		<u>\$65,094,044</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, 2005

	<u>General</u>	<u>Road Use Tax</u>
REVENUES:		
Property taxes	\$ 6,636,427	\$ -
TIF revenues	-	-
Other taxes	2,485,875	-
Licenses and permits	752,700	-
Intergovernmental	3,960,095	3,184,100
Charges for service	628,271	254
Fines and forfeitures	228,678	-
Use of money and property	613,452	-
Special assessments	50,916	-
Miscellaneous	406,646	-
Refunds	86,170	-
Total revenues	<u>\$15,849,230</u>	<u>\$ 3,184,354</u>
EXPENDITURES:		
Public safety	\$ 6,312,439	\$ 618
Public works	894,488	1,764,883
Health & social services	617,217	-
Culture & recreation	2,257,409	-
Community & economic development	679,739	-
General government	2,020,780	-
Capital projects	3,273,911	3,844,173
Debt service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	<u>\$16,055,983</u>	<u>\$ 5,609,674</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (206,753)</u>	<u>\$ (2,425,320)</u>
Other financing sources (uses):		
Proceeds from general obligation bonds	\$ -	\$ 2,175,000
Premium/discount on bonds	-	-
Transfers in	528,465	499,295
Transfers out	(224,538)	-
Total other financing sources (uses)	<u>\$ 303,927</u>	<u>\$ 2,674,295</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 97,174</u>	<u>\$ 248,975</u>
Fund balance beginning of year	<u>9,167,240</u>	<u>749,123</u>
Fund balance end of year	<u>\$ 9,264,414</u>	<u>\$ 998,098</u>

(continued)

<u>12th Street NW Overpass</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ 1,128,376	\$ 7,764,803
-	1,334,795	1,334,795
-	1,317,930	3,803,805
-	-	752,700
1,990,006	2,690,823	11,825,024
-	86,982	715,507
-	-	228,678
-	691,743	1,305,195
-	39,432	90,348
823	670,980	1,078,449
-	1,144	87,314
<u>\$ 1,990,829</u>	<u>\$ 7,962,205</u>	<u>\$28,986,618</u>
\$ -	\$ 1,083,434	\$ 7,396,491
207,227	56,183	2,922,781
-	21,283	638,500
-	198,679	2,456,088
-	2,061,779	2,741,518
-	93,466	2,114,246
2,943,606	1,002,567	11,064,257
-	1,255,708	1,255,708
-	486,787	486,787
-	26,847	26,847
<u>\$ 3,150,833</u>	<u>\$ 6,286,733</u>	<u>\$31,103,223</u>
<u>\$(1,160,004)</u>	<u>\$ 1,675,472</u>	<u>\$(2,116,605)</u>
\$ -	\$ 78,000	\$ 2,253,000
-	13,855	13,855
-	951,973	1,979,733
-	(1,761,407)	(1,985,945)
<u>\$ -</u>	<u>\$ (717,579)</u>	<u>\$ 2,260,643</u>
\$(1,160,004)	\$ 957,893	\$ 144,038
<u>3,666,426</u>	<u>8,960,684</u>	<u>22,543,473</u>
<u>\$ 2,506,422</u>	<u>\$ 9,918,577</u>	<u>\$22,687,511</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, 2005

Net change in fund balances—total governmental funds \$ 144,038

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. (20,283)

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	\$11,793,127	
Depreciation expense	<u>(2,754,799)</u>	9,038,328

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 82,908

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	\$1,255,708	
Equipment purchase contract payable	59,366	
Issuance of debt	(2,253,000)	
Settlement payable	24,597	
Accrued interest	79	
Premium on bonds issued	(13,855)	
Amortization of bond discount	(3,128)	
Amortization of excess refunding bond costs	<u>(32,073)</u>	(962,306)

Internal service funds net change (385,353)

Change in net assets—governmental activities \$7,897,332

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, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Property tax	\$ 6,610,577	\$ 6,610,577	\$ 6,636,427
Other tax	2,581,460	2,581,460	2,485,875
Licenses and permits	599,150	599,150	752,700
Intergovernmental	8,279,281	8,963,871	3,960,095
Charges for service	1,151,337	1,196,337	628,271
Fines and forfeitures	-	-	228,678
Use of money and property	164,100	164,100	613,452
Special assessments	-	-	50,916
Miscellaneous	142,546	142,546	406,646
Refunds	-	-	86,170
Total revenues	<u>\$19,528,451</u>	<u>\$20,258,041</u>	<u>\$15,849,230</u>
EXPENDITURES:			
Current:			
Public safety	\$ 5,902,742	\$ 6,165,917	\$ 6,312,439
Public works	957,036	957,036	894,488
Health & social services	387,483	769,453	617,217
Culture & recreation	2,263,399	2,359,614	2,257,409
Community & economic development	900,737	900,737	679,739
General government	1,943,566	2,001,066	2,020,780
Capital projects	8,812,340	8,955,240	3,273,911
Total expenditures	<u>\$21,167,303</u>	<u>\$22,109,063</u>	<u>\$16,055,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(1,638,852)</u>	<u>\$(1,851,022)</u>	<u>\$ (206,753)</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ 637,710	\$ 637,710	\$ -
Transfers in	525,000	525,000	528,465
Transfers out	(207,500)	(207,500)	(224,538)
Total other financing sources (uses)	<u>\$ 955,210</u>	<u>\$ 955,210</u>	<u>\$ 303,927</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (683,642)</u>	<u>\$ (895,812)</u>	<u>\$ 97,174</u>
Fund balance beginning of year	<u>-</u>	<u>-</u>	<u>9,167,240</u>
Fund balance end of year	<u>\$ (683,642)</u>	<u>\$ (895,812)</u>	<u>\$ 9,264,414</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 25,850
 (95,585)
 153,550
 (5,003,776)
 (568,066)
 228,678
 449,352
 50,916
 264,100
 86,170
\$(4,408,811)

\$ (146,522)
 62,548
 152,236
 102,205
 220,998
 (19,714)
 5,681,329
\$ 6,053,080

\$ 1,644,269

\$ (637,710)
 3,465
(17,038)

\$ (651,283)

\$ 992,986
9,167,240

\$10,160,226

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, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Intergovernmental:			
Road use tax allocation	\$ 2,300,000	\$ 2,362,050	\$ 3,184,100
Charges for service	-	-	254
Miscellaneous	230,000	230,000	-
Total revenues	<u>\$ 2,530,000</u>	<u>\$ 2,592,050</u>	<u>\$ 3,184,354</u>
EXPENDITURES:			
Current:			
Public safety:			
Contractual	\$ -	\$ -	\$ 618
Public works:			
Personal services	\$ 954,934	\$ 1,016,984	\$ 950,236
Contractual	525,350	525,350	549,240
Commodities	180,312	180,312	264,459
Other	-	-	948
Total public works	<u>\$ 1,660,596</u>	<u>\$ 1,722,646</u>	<u>\$ 1,764,883</u>
Capital projects	<u>\$ 4,559,533</u>	<u>\$ 4,609,533</u>	<u>\$ 3,844,173</u>
Total expenditures	<u>\$ 6,220,129</u>	<u>\$ 6,332,179</u>	<u>\$ 5,609,674</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(3,690,129)</u>	<u>\$(3,740,129)</u>	<u>\$(2,425,320)</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ 2,290,834	\$ 2,290,834	\$ 2,175,000
Transfers in	<u>499,295</u>	<u>499,295</u>	<u>499,295</u>
Total other financing sources (uses)	<u>\$ 2,790,129</u>	<u>\$ 2,790,129</u>	<u>\$ 2,674,295</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (900,000)	\$ (950,000)	\$ 248,975
Fund balance beginning of year	-	-	749,123
Fund balance end of year	<u>\$ (900,000)</u>	<u>\$ (950,000)</u>	<u>\$ 998,098</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 822,050
254
(230,000)
\$ 592,304

\$ (618)

\$ 66,748
(23,890)
(84,147)
(948)
\$ (42,237)

\$ 765,360

\$ 722,505

\$1,314,809

\$ (115,834)
-

\$ (115,834)

\$1,198,975

749,123

\$1,948,098

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2005

	<u>Waterworks</u>	<u>Sewer Rental</u>
ASSETS:		
Current assets:		
Cash	\$ 1,040,197	\$ 497,155
Investments (at cost)	226,632	50,000
Receivables:		
Property taxes	-	-
Special assessments - current	-	41,948
Special assessments - deferred	-	11,266
Accounts	479,569	231,670
Accrued interest	341	200
Inventory	220,800	65,118
Due from other funds	87,451	26,149
Prepaid insurance	12,615	18,204
Total current assets	<u>\$ 2,067,605</u>	<u>\$ 941,710</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 987,054	\$ 928,870
Accrued interest	2,207	2,173
Total restricted assets	<u>\$ 989,261</u>	<u>\$ 931,043</u>
Property, plant and equipment:		
Land	\$ 147,220	\$ 316,209
Buildings	1,815,116	-
Equipment	641,652	711,740
Distribution system	14,239,049	-
Meters	828,337	-
Plant and improvements	-	12,258,337
Sewer lines and lifts	-	11,001,014
Improvements	-	-
Vehicles	313,263	799,238
Construction in progress	23,236,186	23,829
Total	<u>\$41,220,823</u>	<u>\$25,110,367</u>
Less accumulated depreciation	(7,215,457)	(13,680,316)
Net property, plant and equipment	<u>\$34,005,366</u>	<u>\$11,430,051</u>
Total assets	<u>\$37,062,232</u>	<u>\$13,302,804</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 703,088	\$ 2,240,440	\$ 847,960
225,050	501,682	226,215
94,042	94,042	728,823
-	41,948	-
-	11,266	-
378,722	1,089,961	-
827	1,368	601
-	285,918	-
48,410	162,010	15,412
2,056	32,875	-
<u>\$ 1,452,195</u>	<u>\$ 4,461,510</u>	<u>\$ 1,819,011</u>
\$ -	\$ 1,915,924	\$ -
-	4,380	-
<u>\$ -</u>	<u>\$ 1,920,304</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,803,362	\$ -
1,593,988	3,409,104	-
539,037	1,892,429	69,848
-	14,239,049	-
-	828,337	-
-	12,258,337	-
2,151,305	13,152,319	-
2,966,294	2,966,294	-
1,150,807	2,263,308	93,846
-	23,260,015	-
<u>\$12,741,364</u>	<u>\$79,072,554</u>	<u>\$ 163,694</u>
<u>(4,672,329)</u>	<u>(25,568,102)</u>	<u>(90,786)</u>
<u>\$ 8,069,035</u>	<u>\$53,504,452</u>	<u>\$ 72,908</u>
\$ 9,521,230	\$59,886,266	\$ 1,891,919

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2005

	<u>Waterworks</u>	<u>Sewer Rental</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 113,122	\$ 80,541
Salaries payable	36,541	30,275
Contracts payable	646,844	13,330
Accrued compensated absences	70,627	60,892
Accrued interest payable	37,823	11,994
Due to other funds	23,753	73,095
Due to state government	18,076	-
Due to customers	39,330	-
General obligation bonds	115,392	90,592
General obligation notes	-	-
Revenue bonds	693,000	340,000
Capital leases	-	-
Prepaid interments	-	-
Unearned revenue	-	11,266
Total current liabilities	<u>\$ 1,794,508</u>	<u>\$ 711,985</u>
Long-term debt:		
General obligation bonds	\$ 1,224,608	\$ 961,408
General obligation notes	-	-
Revenue bonds	13,336,778	1,975,000
Capital leases	-	-
Unamortized bond discount	(145,611)	-
Total long-term debt	<u>\$14,415,775</u>	<u>\$ 2,936,408</u>
Total liabilities	<u>\$16,210,283</u>	<u>\$ 3,648,393</u>
Net assets:		
Invested in capital assets, net of related debt	\$18,781,199	\$ 8,063,051
Restricted for:		
Bond retirement	989,261	931,043
Unrestricted	<u>1,081,489</u>	<u>660,317</u>
Total net assets	<u>\$20,851,949</u>	<u>\$ 9,654,411</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>
\$ 115,122	\$ 308,785	\$ 811,088
58,347	125,163	4,631
-	660,174	-
91,926	223,445	9,000
2,578	52,395	-
276,749	373,597	134,091
1,095	19,171	-
-	39,330	-
-	205,984	-
37,705	37,705	-
-	1,033,000	-
94,464	94,464	-
28,656	28,656	-
93,314	104,580	738,919
<u>\$ 799,956</u>	<u>\$ 3,306,449</u>	<u>\$ 1,697,729</u>
\$ -	\$ 2,186,016	\$ -
362,165	362,165	-
-	15,311,778	-
305,378	305,378	-
-	(145,611)	-
<u>\$ 667,543</u>	<u>\$18,019,726</u>	<u>\$ -</u>
<u>\$ 1,467,499</u>	<u>\$21,326,175</u>	<u>\$ 1,697,729</u>
\$ 7,269,323	\$34,113,573	\$ 72,908
-	1,920,304	-
<u>784,408</u>	<u>2,526,214</u>	<u>121,282</u>
<u>\$ 8,053,731</u>	<u>\$38,560,091</u>	<u>\$ 194,190</u>
	<u>(599,781)</u>	
	<u>\$37,960,310</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2005

	Waterworks	Sewer Rental
Operating revenues:		
Charges for service	\$ 3,996,205	\$ 2,266,930
Health insurance contributions	-	-
Total operating revenues	\$ 3,996,205	\$ 2,266,930
Operating expenses:		
Business type activities:		
Personal service	\$ 1,147,888	\$ 907,921
Contractual	755,683	389,473
Commodities	590,934	343,293
Other	39,715	19,799
Depreciation	496,095	659,789
Amortization	14,735	-
Total operating expenses	\$ 3,045,050	\$ 2,320,275
Operating income (loss)	\$ 951,155	\$ (53,345)
Nonoperating revenues (expenses):		
Property taxes	\$ -	\$ -
Intergovernmental	-	9,391
Fines and forfeitures	-	-
Use of money and property	77,176	33,744
Special assessments	-	8,114
Miscellaneous	218	3,776
Interest	(58,155)	(150,686)
Loss on disposal of assets	(3,760)	(1,333)
Total nonoperating revenue (expense)	\$ 15,479	\$ (96,994)
Income (loss) before contributions and transfers	\$ 966,634	\$ (150,339)
Contributions and transfers:		
Transfers in	\$ 150,000	\$ 150,000
Transfers out	-	-
Capital contributions	1,199,275	-
Total contributions and transfers	\$ 1,349,275	\$ 150,000
Change in net assets	\$ 2,315,909	\$ (339)
Net assets beginning of year	18,536,040	9,654,750
Net assets end of year	\$20,851,949	\$ 9,654,411

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>
\$ 2,610,049	\$ 8,873,184	\$ 182,221
-	-	1,598,558
<u>\$ 2,610,049</u>	<u>\$ 8,873,184</u>	<u>\$ 1,780,779</u>
\$ 1,621,413	\$ 3,677,222	\$ 2,336,094
525,300	1,670,456	12,544
196,112	1,130,339	11,375
1,518	61,032	-
266,954	1,422,838	12,939
-	14,735	-
<u>\$ 2,611,297</u>	<u>\$ 7,976,622</u>	<u>\$ 2,372,952</u>
<u>\$ (1,248)</u>	<u>\$ 896,562</u>	<u>\$ (592,173)</u>
\$ 87,090	\$ 87,090	\$ 349,564
-	9,391	-
20,509	20,509	-
71,689	182,609	35,563
-	8,114	-
29,254	33,248	-
(39,425)	(248,266)	-
-	(5,093)	-
<u>\$ 169,117</u>	<u>\$ 87,602</u>	<u>\$ 385,127</u>
<u>\$ 167,869</u>	<u>\$ 984,164</u>	<u>\$ (207,046)</u>
\$ 56,212	\$ 356,212	\$ -
-	-	(350,000)
28,200	1,227,475	-
<u>\$ 84,412</u>	<u>\$ 1,583,687</u>	<u>\$ (350,000)</u>
\$ 252,281	\$ 2,567,851	\$ (557,046)
7,801,450		751,236
<u>\$ 8,053,731</u>		<u>\$ 194,190</u>
	(171,693)	
	<u>\$ 2,396,158</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2005

	<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	4,190,648	2,236,769
Cash paid to employees for services	(1,136,132)	(895,517)
Cash paid to other suppliers of goods or services	(1,794,218)	(858,677)
Cash paid for health and life insurance	-	-
Proceeds from miscellaneous items	218	3,776
Net cash provided (used) by operating activities	<u>\$ 1,260,516</u>	<u>\$ 486,351</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ -	\$ -
Transfers to other funds	-	-
Net cash provided (used) for non-capital financing activities	<u>\$ -</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (987,652)	\$ (412,493)
Principal payments	(1,088,000)	(330,000)
Interest payments	(485,198)	(149,332)
Proceeds from issuance of bonds	2,035,462	1,052,000
Capital contributions	1,114,546	-
Net cash provided (used) for capital and related financing activities	<u>\$ 589,158</u>	<u>\$ 160,175</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 3,075,000	\$ 2,600,000
Purchase of investments	(3,075,000)	(2,150,000)
Interest received	43,470	29,499
Rent received	31,950	-
Net cash provided (used) by investing activities	<u>\$ 75,420</u>	<u>\$ 479,499</u>
Net increase (decrease) in cash	\$ 1,925,094	\$ 1,126,025
Cash beginning of year	<u>102,157</u>	<u>300,000</u>
Cash end of year	<u>\$ 2,027,251</u>	<u>\$ 1,426,025</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$ 1,657,431
-	-	124,959
2,453,819	8,881,236	-
(1,497,105)	(3,528,754)	(146,895)
(676,027)	(3,328,922)	(35,568)
-	-	(1,888,230)
<u>413,665</u>	<u>417,659</u>	<u>-</u>
\$ <u>694,352</u>	\$ <u>2,441,219</u>	\$ <u>(288,303)</u>
\$ 87,169	\$ 87,169	\$ 345,564
<u>-</u>	<u>-</u>	<u>(350,000)</u>
\$ <u>87,169</u>	\$ <u>87,169</u>	\$ <u>(4,436)</u>
\$ (606,780)	\$ (2,006,925)	\$ (2,398)
(186,957)	(1,604,957)	-
(40,098)	(674,628)	-
-	3,087,462	-
<u>-</u>	<u>1,114,546</u>	<u>-</u>
\$ <u>(833,835)</u>	\$ <u>(84,502)</u>	\$ <u>(2,398)</u>
\$ 775,000	\$ 6,450,000	\$ 1,490,000
(400,000)	(5,625,000)	(1,215,000)
36,047	109,016	34,993
<u>8,800</u>	<u>40,750</u>	<u>-</u>
\$ <u>419,847</u>	\$ <u>974,766</u>	\$ <u>309,993</u>
\$ 367,533	\$ 3,418,652	\$ 14,856
<u>335,555</u>	<u>737,712</u>	<u>833,104</u>
<u>\$ 703,088</u>	<u>\$ 4,156,364</u>	<u>\$ 847,960</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2005

	<u>Waterworks</u>	<u>Sewer Rental</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 951,155	\$ (53,345)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	510,830	659,789
Miscellaneous income	218	3,776
Change in assets and liabilities:		
(Increase) decrease in receivables	(57,196)	(32,960)
(Increase) decrease in inventory	24,952	7,152
(Increase) decrease in due from other funds	20,092	111,108
(Increase) decrease in prepaid insurance	(6,979)	(1,769)
Increase (decrease) in accounts and contracts payable	(116,515)	7,774
Increase (decrease) in salaries payable	6,665	6,781
Increase (decrease) in accrued compensated absences	5,227	5,707
Increase (decrease) in due to other funds	(9,266)	(219,548)
Increase (decrease) in due to state government	5,057	-
Increase (decrease) in due to customers	11,005	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	(84,729)	(8,114)
	<u>\$1,260,516</u>	<u>\$ 486,351</u>
Net cash provided (used) by operating activities		
Noncash investing, capital and financing activities:		
Developer contributions:		
Storm sewer lines	\$ -	\$ -

See Accompanying Independent Auditor's Report.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ (1,248)	\$ 896,562	\$(592,173)
266,954	1,437,573	12,939
49,763	53,757	-
(165,293)	(255,449)	-
-	32,104	-
320,947	452,147	109,366
3,644	(5,104)	-
(19,798)	(128,539)	189,738
12,831	26,277	609
33,439	44,373	152
194,610	(34,204)	(8,856)
(276)	4,781	-
-	11,005	-
204	204	-
<u>(1,425)</u>	<u>(94,268)</u>	<u>(78)</u>
<u>\$ 694,352</u>	<u>\$2,441,219</u>	<u>\$(288,303)</u>
\$ 28,200	\$ 28,200	\$ -

CITY OF MASON CITY, IOWA
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2005

	<u>Firemen's Pension</u>	<u>Agency Fund</u>
ASSETS:		
Cash	\$21,452	\$ 600
LIABILITIES:		
Accounts payable	<u> -</u>	<u> 600</u>
NET ASSETS:		
Held in trust for pension benefits	<u><u>\$21,452</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Firemen's Pension</u>
ADDITIONS:	
None	\$ -
DEDUCTIONS:	
Public safety:	
Benefits paid	<u>11,127</u>
Change in net assets	\$(11,127)
Net assets beginning of year	<u>32,579</u>
Net assets end of year	<u>\$ 21,452</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(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, 2005

(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 unearned revenue until they become available.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(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.

12th Street NW Overpass Fund

The 12th Street NW Overpass Fund (a capital project fund) accounts for the construction of the 12th Street Overpass.

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, 2005

(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, 2005

(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. \$21,387 and \$22,843 of investment income for the years ended June 30, 2005 and 2004, 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, 2005

(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, 2005, were due by July 1, 2004, with the first half installment being delinquent after September 30, 2004, and the second half installment being delinquent after March 31, 2005. 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 2005 levy certified on March 15, 2005, based on 2004 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2006, the revenue has been recorded as unearned 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, 2005

(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, 2005, \$421,257 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, 2005

(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, 2005

(2) Summary of Significant Accounting Policies - continued

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2005 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 6,961,179	\$ 423,175	\$ 7,384,354	\$7,396,491
Public Works	10,854,205	112,050	10,966,255	2,922,781
Health and Social Services	412,917	426,970	839,887	638,500
Culture and Recreation	2,860,581	251,295	3,111,876	2,456,088
Community and Economic Development	3,666,434	155,000	3,821,434	2,741,518
General Government	3,615,665	60,400	3,676,065	2,114,246
Debt Service	1,948,091	-	1,948,091	1,769,342
Capital Projects	11,358,672	-	11,358,672	11,064,257
Business Type	12,155,486	2,091,264	14,246,750	8,229,981
Total	<u>\$53,833,230</u>	<u>\$ 3,520,154</u>	<u>\$57,353,384</u>	<u>\$39,333,204</u>

The fiscal year 2005 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, 2005 unbilled utility receivables for the Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds were included in accounts receivable and totaled approximately \$298,141, \$168,989, \$12,627 and \$48,795, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2005 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, 2005

(3) Cash and Investments - continued

The City's investments in the Iowa Public Agency Investment Trust are valued at an amortized cost of \$1,592,729 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

The carrying amount and fair value of the City's investments at June 30, 2005 are as follows:

	<u>Category</u>	<u>Fair Value</u>
U.S. Government securities	1	\$ 5,716,191
Equity securities	1	613,624
		\$ 6,329,815
Deposits classified as investments:		
Iowa Public Agency Investment Trust		1,592,729
Nonnegotiable certificates of deposit		6,974,817
Total		\$14,897,361
Less: Restricted investments		432,153
Total unrestricted investments per balance sheet		\$14,465,208

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

Credit risk: The city's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments, further limited to no more than five percent from a single issuer. The City held no such investments during the year.

(4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2005 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$ 325,750	\$ 624,469
Road Use Tax	3,244	308,956
12 th Street NW Overpass	1,466,744	-
Nonmajor funds	1,519,837	2,051,884
Internal Service funds	15,412	134,091
Total governmental	\$3,330,987	\$3,119,400

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

(4) Interfund Receivable and Payable Balances - continued

Business-Type:		
Waterworks	\$ 87,451	\$ 23,753
Sewer Rental	26,149	73,095
Nonmajor funds	48,410	276,749
Total business-type	<u>\$ 162,010</u>	<u>\$ 373,597</u>
Total due to/from other funds	<u>\$3,492,997</u>	<u>\$3,492,997</u>

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of \$2,801,217. 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.

(5) Interfund Transfers

Transfers in and out for the year ended June 30, 2005 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General	\$ 528,465	\$ 224,538
Road use tax	499,295	-
12 th Street NW Overpass	-	-
Nonmajor funds	951,973	1,761,407
Internal service funds	-	350,000
Total governmental	<u>\$1,979,733</u>	<u>\$2,335,945</u>
Business-Type:		
Waterworks	\$ 150,000	\$ -
Sewer rental	150,000	-
Nonmajor funds	56,212	-
Total business-type	<u>\$ 356,212</u>	<u>\$ -</u>
Total transfers	<u>\$2,335,945</u>	<u>\$2,335,945</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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(6) Capital Assets

Capital asset activity for the year ended June 30, 2005 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	\$ 1,712,025	\$ 766,331	\$ -	\$ 2,478,356
Construction in progress	5,175,166	8,556,145	3,437,783	10,293,528
Total capital assets, not being depreciated	<u>\$ 6,887,191</u>	<u>\$ 9,322,476</u>	<u>\$3,437,783</u>	<u>\$12,771,884</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 8,204,619	\$ 143,594	\$ -	\$ 8,348,213
Improvements other than buildings	8,202,915	393,065	9,800	8,586,180
Machinery and equipment	3,879,977	196,871	70,088	4,006,760
Vehicles	5,986,474	939,548	174,139	6,751,883
Infrastructure	38,424,059	4,238,827	-	42,662,886
Total capital assets being depreciated	<u>\$64,698,044</u>	<u>\$ 5,911,905</u>	<u>\$ 254,027</u>	<u>\$70,355,922</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 5,348,234	\$ 163,216	\$ -	\$ 5,511,450
Improvements other than buildings	2,842,142	404,074	6,181	3,240,035
Machinery and equipment	2,532,627	347,730	65,089	2,815,268
Vehicles	3,891,325	487,156	162,474	4,216,007
Infrastructure	13,116,093	1,365,562	-	14,481,655
Total accumulated depreciation	<u>\$27,730,421</u>	<u>\$ 2,767,738</u>	<u>\$ 233,744</u>	<u>\$30,264,415</u>
Total capital assets, being depreciated, net	<u>\$36,967,623</u>	<u>\$ 3,144,167</u>	<u>\$ 20,283</u>	<u>\$40,091,507</u>
Governmental activities capital assets, net	<u>\$43,854,814</u>	<u>\$12,466,643</u>	<u>\$3,458,066</u>	<u>\$52,863,391</u>

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

Governmental activities:	
Public safety	\$ 297,738
Public works	1,964,376
Health and social services	11,709
Culture and recreation	339,882
Community and economic development	77,520
General government	63,574
Internal service funds depreciation is charged to various functions based on their usage of assets	12,939
Total depreciation expense-governmental activities	<u>\$2,767,738</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(6) Capital Assets - continued

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	<u>22,048,751</u>	<u>1,211,264</u>	<u>-</u>	<u>23,260,015</u>
Total capital assets, not being depreciated	<u>\$26,852,113</u>	<u>\$ 1,211,264</u>	<u>\$ -</u>	<u>\$28,063,377</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 3,000,394	\$ 408,710	\$ -	\$ 3,409,104
Improvements other than buildings	2,942,042	24,252	-	2,966,294
Machinery and equipment	1,826,691	131,083	65,345	1,892,429
Vehicles	2,112,040	272,410	121,142	2,263,308
Collection and distribution systems	<u>39,764,264</u>	<u>758,053</u>	<u>44,275</u>	<u>40,478,042</u>
Total capital assets being depreciated	<u>\$49,645,431</u>	<u>\$ 1,594,508</u>	<u>\$ 230,762</u>	<u>\$51,009,177</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 1,202,317	\$ 80,253	\$ -	\$ 1,282,570
Improvements other than buildings	2,706,641	21,308	-	2,727,949
Machinery and equipment	1,303,811	91,653	62,681	1,332,783
Vehicles	1,091,641	157,375	116,642	1,132,374
Collection and distribution systems	<u>18,061,667</u>	<u>1,072,249</u>	<u>41,490</u>	<u>19,092,426</u>
Total accumulated depreciation	<u>\$24,366,077</u>	<u>\$ 1,422,838</u>	<u>\$ 220,813</u>	<u>\$25,568,102</u>
Total capital assets, being depreciated, net	<u>\$25,279,354</u>	<u>\$ 171,670</u>	<u>\$ 9,949</u>	<u>\$25,441,075</u>
Business-type activities capital assets, net	<u>\$52,131,467</u>	<u>\$ 1,382,934</u>	<u>\$ 9,949</u>	<u>\$53,504,452</u>

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

Business-type activities:	
Water works	\$ 496,095
Sewer rental	659,789
Other business-type funds	266,954
Total depreciation expense-business-type activities	<u>\$1,422,838</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(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, 2005, 2004 and 2003 were \$416,441, \$395,938, and \$378,340 respectively, equal to the required contribution for each year.

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, 2005, members contributed 9.35% of regular earnable compensation and the City contributed 24.92% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2005, 2004 and 2003 were \$911,089, \$711,969, and \$554,567 respectively, equal to the required contributions for each year.

Firemen Pension Plan

(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. The plan is funded from pension fund reserves. All participants in the plan are presently retired. No information is available regarding actuarially computed liability or assets. As of June 30, 2005, there is one individual receiving benefits in the fire plan.

A summary of financial information relating to the plan as of June 30, 2005 is as follows:

	<u>Fire</u>
Cash and investments	\$21,542
Fund equity	21,542
Pensions paid	11,127

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

(7) Pension and Retirement Systems - continued

(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.

(C) Trend Information

Firemen Pension Plan

Fiscal Year	Revenues			Expenses
	Investment Income	Property Taxes	Totals	Benefits
2005	\$ -	\$ -	\$ -	\$11,127
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:

	Governmental	Business-Type
7.0% Taxable General Obligation bond payable, issued 12/1/93	\$ 235,000	\$ -
2.0% to 3.6% Essential Corporate Purpose bond payable, issued 10/1/04	2,253,000	-
7.7% to 7.75% Taxable General Obligation bond payable, issued 9/1/94	360,000	-
5% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 6/1/03	560,000	-

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

(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	\$ 1,850,000	\$ -
2.75% to 4.05% Corporate Purpose bond payable, issued 10/01/02	3,690,000	-
4.1% to 4.25% Essential Corporate Purpose bond payable, issued 4/1/01, callable after 6/1/06 at par	285,000	-
4.5% Capital Lease payable, issued 1/21/03	126,867	-
7.7% to 7.8% Taxable General Obligation Capital Loan note issued 6/1/00, callable 6/1/09 at par	520,000	-
2.0% to 4.0% Essential Corporate Purpose bond payable, issued 10/1/03	1,110,000	-
5.0% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 7/3/03	309,272	-
8.0% Settlement note payable, issued 8/19/04	56,125	-
4.62% Sewer Revenue bond payable, issued 12/2/92	-	1,745,000
5.4% to 5.5% Sewer Revenue bond payable, issued 6/1/95	-	570,000
3.0% Water Revenue Capital loan note payable, issued 2/26/03, callable 6/01/13 at par	-	13,884,167
2.0% to 3.6% Essential Corporate Purpose bond payable, issued 10/1/04	-	2,392,000
4.125% General Obligation Capital loan note payable, issued 5/5/04	-	399,870
3.72% Capital Lease payable, issued 5/26/04	-	399,842
Totals	<u>\$11,355,264</u>	<u>\$19,390,879</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 \$11,244,870 of general obligation bonds outstanding as of June 30, 2005. Unmatured general obligation bonds to be paid by governmental funds totaled \$8,453,000. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$2,791,870.

During the year ended June 30, 2005, the City issued \$4,645,000 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, 2005

(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 \$16,199,167 of revenue bonds outstanding as of June 30, 2005. 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 \$1,399,394. The City has reserved \$1,920,304 as of June 30, 2005.

The 3.0% Water Revenue Capital Loan includes a provision that requires the city to maintain net revenues (operating revenues less operating expenses, except depreciation) at 110% of the current year debt service (principal and interest) for all water revenue backed debt coming due in the current year. The City's ratio for the current year, 99%, did not meet the requirements of the bond covenant. The bond agreement does not include a penalty for not being in compliance with the bond covenant.

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, 2005, there were \$2,719,272 of tax increment financing bonds outstanding.

Long-term liability activity for the year ended June 30, 2005, was as follows:

	July 1, 2004	New Issues	Payments	June 30, 2005	Due Within One Year
General obligation:					
Governmental	\$ 7,140,000	\$2,253,000	\$ 940,000	\$ 8,453,000	\$ 969,016
Business-type activities:					
Water	-	1,340,000	-	1,340,000	115,392
Sewer	-	1,052,000	-	1,052,000	90,592
Golf Course	60,000	-	60,000	-	-
Ambulance	435,680	-	35,810	399,870	37,705
Revenue:					
Governmental tax increment financing	3,034,980	-	315,708	2,719,272	317,312
Business-type:					
Water	14,261,970	695,462	1,073,265	13,884,167	693,000
Sewer	2,645,000	-	330,000	2,315,000	340,000
Total	<u>\$27,577,630</u>	<u>\$5,340,462</u>	<u>\$2,754,783</u>	<u>\$30,163,309</u>	<u>\$2,563,017</u>

At June 30, 2005, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(9) Long-Term Debt - continued

Total estimated actual valuation - real property	<u>\$1,348,006,434</u>
Debt limit - 5% of total valuation	\$ 67,400,322
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>13,751,129</u>
Legal debt margin	<u>\$ 53,649,193</u>

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
2006	\$ 969,016	\$ 327,125	\$ 243,689	\$ 89,956	\$1,212,705	\$ 417,081
2007	1,016,292	288,601	252,779	84,273	1,269,071	372,874
2008	866,142	245,198	259,557	77,301	1,125,699	322,499
2009	803,418	213,787	268,977	69,587	1,072,395	283,374
2010	828,268	183,509	275,894	61,022	1,104,162	244,531
2011-2015	3,454,864	445,774	1,490,974	157,661	4,945,838	603,435
2016-2020	515,000	41,652	-	-	515,000	41,652
2021-2023	-	-	-	-	-	-
	<u>\$8,453,000</u>	<u>\$1,745,646</u>	<u>\$2,791,870</u>	<u>\$ 539,800</u>	<u>\$11,244,870</u>	<u>\$2,285,446</u>

June 30,	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	164,377	80,898	1,196,000	441,273	1,360,377	522,171
2011-2015	865,513	279,134	4,704,000	1,655,916	5,569,513	1,935,050
2016-2020	540,000	60,900	4,948,000	954,930	5,488,000	1,015,830
2021-2023	-	-	985,167	202,320	985,167	202,320
	<u>\$2,719,272</u>	<u>\$ 865,399</u>	<u>\$16,199,167</u>	<u>\$5,421,857</u>	<u>\$18,918,439</u>	<u>\$6,287,256</u>

Changes in Other Long-Term Liabilities

Other long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental activities:

	July 1, 2004	New Issues	Payments	June 30, 2005	Due Within One Year
Governmental activities:					
Capital leases	\$186,233	\$ -	\$ 59,366	\$126,867	\$62,038
Settlement note payable	75,000	-	18,875	56,125	24,597
Business-type activities:					
Capital leases	490,990	-	91,148	399,842	94,464
	<u>\$752,223</u>	<u>\$ -</u>	<u>\$169,389</u>	<u>\$582,834</u>	<u>\$181,099</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(9) Long-Term Debt - continued

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, 2005, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$4,900,000.

Bonds authorized and unissued

At June 30, 2005, the City had not drawn \$2,383,872 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, 2005, \$465,000 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.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

(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 \$2,448,400 for the year ended June 30, 2005 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.

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, 2005 is \$576,300 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2005 is as follows:

	Beginning of fiscal year liability	Current year claims and changes in estimates	Claim payments	End of fiscal year liability
Current year	\$550,050	\$2,018,216	\$1,791,688	\$776,578
Prior year	665,612	1,700,239	1,815,801	550,050

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:	
Community Growth TIF	\$1,097,440
Westside TIF	604,627
ADDI	382
LHAP 2000	8,386
CDBG Housing Rehabilitation	25,228
HMGP Voluntary Acquisition	7,497
FMA Voluntary Acquisition	188
Capital Projects:	
Street Construction	20,224
Internal Service Fund:	
Central Services	59,960

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

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

(12) Deficit Fund Balances/Net Assets - continued

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 deficit balances in the two voluntary acquisition funds will be eliminated through retention of capital grant proceeds.

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.

(13) Park Inn Hotel

On March 15, 2005, the City received historic property, the Park Inn Hotel, by quit claim deed from the Mason City Foundation. The City assumed all grant and construction contracts for the restoration of the historic property, while being an intermediary to find a suitable organization to assume and complete the restoration. During the year, the City incurred \$65,047 in construction costs and earned \$159,897 in grant proceeds. The City has found a nonprofit organization, Wright on the Park, to assume the restoration of the hotel and the property will be conveyed by quit claim deed when the grant contract is completed.

(14) Commitments

At June 30, 2005, the following construction and purchase commitments had been made:

	Total Contracts	Costs Incurred
Sanitary sewer projects	\$ 848,886	\$ 20,699
Street projects	2,129,892	447,458
Water projects	5,914,242	5,591,056
Airport projects	4,205,054	1,160,493
Park projects	187,995	66,359
Other	87,745	52,077
Total	\$13,373,814	\$ 7,338,142

(15) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$6,751,727 during the year ended June 30, 2005 of which \$6,478,232 was competitively bid.

(16) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2005, disbursements in the Public Safety program exceeded the amount budgeted.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(17) Subsequent Events

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

Park projects	\$ 435,063
City Hall projects	21,910
Water projects	136,900
Sanitary sewer projects	392,413
Street projects	71,120
Fire projects	16,277
Park Inn Hotel projects	37,400
	<u>\$1,111,083</u>

The City issued \$500,000 of general obligation notes dated August 1, 2005, payable over a five-year period at 3.3% interest.

The City sold \$2,585,000 of general obligation bonds dated November 1, 2005 payable over a 10-year period at interest rates ranging from 3.5% to 3.6%.

(18) New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the City. The statements, which might impact the City are as follows:

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the city for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the city for the fiscal year ended June 30, 2008. This statement establishes uniform financial reporting standards for other post employment benefit (OPEB) plans and supersedes the interim guidance included in statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 44, *Economic Condition Reporting: The Statistical Section, An Amendment of NCGA Statement 1* issued May 2004, will be effective for the city for the fiscal year ended June 30, 2006. This statement establishes standards for the presentation of statistical information including information presented in the government-wide information required by Statement No. 34.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the city for the fiscal year ended June 30, 2009. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(18) New Governmental Accounting Standards Board (GASB) Standards

Statement No. 46, *Net Assets Restricted by Enabling Legislation* issued December 2004, will be effective for the City for the fiscal year ended June 30, 2006. This statement clarifies the definition of a legally enforceable enabling legislation restriction. It also specifies the accounting and financial reporting requirements for the restrictions and for any changes in them.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, this Statement is effective for the fiscal year ended June 30, 2006.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	ESGP	Section 8 Voucher	Section 8 New
ASSETS:			
Cash	\$ 6,972	\$ 93,875	\$ 32,605
Investments	-	100,000	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	74	-
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Due from other funds	-	-	-
Due from state government	4,858	-	-
Due from federal government	-	-	-
Prepaid expenditures	-	103,884	17,491
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	\$ 11,830	\$297,833	\$ 50,096
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ 11,830	\$ 558	\$ 44
Salaries payable	-	6,069	-
Contracts payable	-	-	-
Accrued compensated absences	-	12,690	-
Due to other funds	-	-	-
Due to state government	-	-	-
Due to federal government	-	134,263	1,165
Unearned revenue	-	-	-
Total liabilities	\$ 11,830	\$153,580	\$ 1,209
Fund balance:			
Reserved for:			
Prepaid expenditures	\$ -	\$103,884	\$ 17,491
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	-	40,369	31,396
Total fund balance	\$ -	\$144,253	\$ 48,887
Total liabilities and fund balance	\$ 11,830	\$297,833	\$ 50,096

(continued)

<u>Community Growth TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Police Retirement</u>
\$ -	\$ 17,987	\$ 13,485	\$ 324,544
	-	-	3,018,725
18,075	2,230	-	272,917
-	-	-	4,839
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 18,075</u>	<u>\$ 20,217</u>	<u>\$ 13,485</u>	<u>\$3,621,025</u>
\$ 1,027	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,114,488	624,844	-	74,298
-	-	-	-
-	-	-	-
-	-	-	270,000
<u>\$ 1,115,515</u>	<u>\$ 624,844</u>	<u>\$ -</u>	<u>\$ 344,298</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
(1,097,440)	(604,627)	13,485	3,276,727
<u>\$(1,097,440)</u>	<u>\$(604,627)</u>	<u>\$ 13,485</u>	<u>\$3,276,727</u>
<u>\$ 18,075</u>	<u>\$ 20,217</u>	<u>\$ 13,485</u>	<u>\$3,621,025</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>
ASSETS:			
Cash	\$ 43,847	\$ 71,122	\$181,118
Investments	2,376,211	-	371,847
Receivables:			
Property taxes	232,406	463,715	-
Accrued interest	3,554	-	504
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>\$2,730,316</u>	<u>\$534,837</u>	<u>\$553,469</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 80
Salaries payable	-	-	-
Contracts payable	-	-	-
Accrued compensated absences	-	-	-
Due to other funds	-	-	-
Due to state government	-	-	-
Due to federal government	-	-	-
Unearned revenue	230,000	455,418	-
Total liabilities	<u>\$ 230,000</u>	<u>\$455,418</u>	<u>\$ 80</u>
Fund balance:			
Reserved for:			
Prepaid expenditures	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	2,500,316	79,419	553,389
Total fund balance	<u>\$2,500,316</u>	<u>\$ 79,419</u>	<u>\$553,389</u>
Total liabilities and fund balance	<u>\$2,730,316</u>	<u>\$534,837</u>	<u>\$553,469</u>

(continued)

<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>Debt Service</u>
\$242,075	\$134,661	\$1,162,291	\$ 679,120
384,890	-	6,251,673	-
-	-	989,343	753,544
-	-	8,971	183
-	-	-	35,645
-	-	-	89,660
-	-	74,298	55,727
-	181,653	186,511	-
-	159,897	159,897	-
-	-	121,375	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$626,965</u>	<u>\$476,211</u>	<u>\$8,954,359</u>	<u>\$1,613,879</u>
\$ -	\$ 23,677	\$ 37,216	\$ -
-	1,261	7,330	-
-	27,072	27,072	-
-	699	13,389	-
-	180,716	1,994,346	4,591
-	428	428	-
-	-	135,428	-
-	-	955,418	840,088
<u>\$ -</u>	<u>\$233,853</u>	<u>\$3,170,627</u>	<u>\$ 844,679</u>
\$ -	\$ -	\$ 121,375	\$ -
-	-	-	-
-	-	-	769,200
626,965	242,358	5,662,357	-
<u>\$626,965</u>	<u>\$242,358</u>	<u>\$5,783,732</u>	<u>\$ 769,200</u>
<u>\$626,965</u>	<u>\$476,211</u>	<u>\$8,954,359</u>	<u>\$1,613,879</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	<u>Street Construction</u>	<u>Local Option Capital Improvement</u>	<u>Total Capital Project</u>
ASSETS:			
Cash	\$ -	\$ 864,209	\$ 864,209
Investments	-	-	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	-	-
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Due from other funds	-	1,332,104	1,332,104
Due from state government	-	127,975	127,975
Due from federal government	-	-	-
Prepaid expenditures	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u><u>\$ -</u></u>	<u><u>\$2,324,288</u></u>	<u><u>\$2,324,288</u></u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ 14,441	\$ 99,633	\$ 114,074
Salaries payable	-	-	-
Contracts payable	-	75,878	75,878
Accrued compensated absences	-	-	-
Due to other funds	5,783	3,244	9,027
Due to state government	-	-	-
Due to federal government	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u><u>\$ 20,224</u></u>	<u><u>\$ 178,755</u></u>	<u><u>\$ 198,979</u></u>
Fund balance:			
Reserved for:			
Prepaid expenditures	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	(20,224)	2,145,533	2,125,309
Total fund balance	<u><u>\$ (20,224)</u></u>	<u><u>\$2,145,533</u></u>	<u><u>\$2,125,309</u></u>
Total liabilities and fund balance	<u><u>\$ -</u></u>	<u><u>\$2,324,288</u></u>	<u><u>\$2,324,288</u></u>

See Accompanying Independent Auditor's Report.

<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ 170,275	\$ 170,275	\$ 2,875,895
-	610,638	610,638	6,862,311
-	-	-	1,742,887
-	2,601	2,601	11,755
-	-	-	35,645
-	-	-	89,660
57,708	-	57,708	1,519,837
-	-	-	314,486
-	-	-	159,897
-	-	-	121,375
15,332	-	15,332	15,332
432,153	-	432,153	432,153
924	-	924	924
<u>\$ 506,117</u>	<u>\$ 783,514</u>	<u>\$1,289,631</u>	<u>\$14,182,157</u>
\$ -	\$ 5,375	\$ 5,375	\$ 156,665
-	-	-	7,330
-	-	-	102,950
-	-	-	13,389
43,920	-	43,920	2,051,884
-	-	-	428
-	-	-	135,428
-	-	-	1,795,506
<u>\$ 43,920</u>	<u>\$ 5,375</u>	<u>\$ 49,295</u>	<u>\$ 4,263,580</u>
\$ -	\$ -	\$ -	\$ 121,375
448,409	-	448,409	448,409
-	-	-	769,200
13,788	778,139	791,927	8,579,593
<u>\$ 462,197</u>	<u>\$ 778,139</u>	<u>\$1,240,336</u>	<u>\$ 9,918,577</u>
<u>\$ 506,117</u>	<u>\$ 783,514</u>	<u>\$1,289,631</u>	<u>\$14,182,157</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, 2005

	<u>ESGP</u>	<u>Section 8 Voucher</u>	<u>Section 8 New</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	70,000	1,395,133	207,792
Charges for service	-	-	-
Use of money and property	-	1,025	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Refunds	-	-	-
Total revenues	<u>\$ 70,000</u>	<u>\$1,396,158</u>	<u>\$ 207,792</u>
EXPENDITURES:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	68,255	1,399,186	199,373
General government	-	-	-
Capital projects	-	83	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 68,255</u>	<u>\$1,399,269</u>	<u>\$ 199,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,745</u>	<u>\$ (3,111)</u>	<u>\$ 8,419</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ -	\$ -	\$ -
Premium/discount on 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>\$ 1,745</u>	<u>\$ (3,111)</u>	<u>\$ 8,419</u>
Fund balance beginning of year	<u>(1,745)</u>	<u>147,364</u>	<u>40,468</u>
Fund balance end of year	<u>\$ -</u>	<u>\$ 144,253</u>	<u>\$ 48,887</u>

(continued)

<u>Community Growth TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Police Retirement</u>
\$ -	\$ -	\$ -	\$ 254,871
1,083,008	214,037	37,750	-
-	-	-	-
406,296	183,454	-	-
-	42,902	-	-
-	59	-	334,471
-	-	-	-
185,470	-	-	-
-	-	-	-
<u>\$ 1,674,774</u>	<u>\$ 440,452</u>	<u>\$ 37,750</u>	<u>\$ 589,342</u>
\$ -	\$ -	\$ -	\$ 542,544
-	-	-	-
-	-	-	-
-	-	-	-
19,442	10,000	7	-
-	-	-	-
228,748	48,915	550	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 248,190</u>	<u>\$ 58,915</u>	<u>\$ 557</u>	<u>\$ 542,544</u>
<u>\$ 1,426,584</u>	<u>\$ 381,537</u>	<u>\$ 37,193</u>	<u>\$ 46,798</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
(725,774)	(87,793)	(120,828)	-
<u>\$ (725,774)</u>	<u>\$ (87,793)</u>	<u>\$ (120,828)</u>	<u>\$ -</u>
\$ 700,810	\$ 293,744	\$ (83,635)	\$ 46,798
(1,798,250)	(898,371)	97,120	3,229,929
<u>\$ (1,097,440)</u>	<u>\$ (604,627)</u>	<u>\$ 13,485</u>	<u>\$ 3,276,727</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, 2005

	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>
REVENUES:			
Property taxes	\$ 210,252	\$ 443,275	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	2,841
Use of money and property	204,361	-	33,151
Special assessments	-	-	-
Miscellaneous	-	-	11,568
Refunds	-	-	-
Total revenues	<u>\$ 414,613</u>	<u>\$ 443,275</u>	<u>\$ 47,560</u>
EXPENDITURES:			
Public safety	\$ 368,545	\$ 172,345	\$ -
Public works	-	35,959	-
Health and social services	-	21,283	-
Culture and recreation	-	82,079	11,445
Community & economic development	-	21,218	-
General government	-	93,466	-
Capital projects	-	-	5,654
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 368,545</u>	<u>\$ 426,350</u>	<u>\$ 17,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 46,068</u>	<u>\$ 16,925</u>	<u>\$ 30,461</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ -	\$ -	\$ -
Premium/discount on 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>\$ 46,068</u>	<u>\$ 16,925</u>	<u>\$ 30,461</u>
Fund balance beginning of year	<u>2,454,248</u>	<u>62,494</u>	<u>522,928</u>
Fund balance end of year	<u>\$2,500,316</u>	<u>\$ 79,419</u>	<u>\$ 553,389</u>

(continued)

<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>Debt Service</u>
\$ -	\$ -	\$ 908,398	\$ 219,978
-	-	1,334,795	-
-	-	-	-
-	428,148	2,690,823	-
-	34,784	80,527	-
40,011	13,482	626,560	31,567
-	-	-	39,432
248,907	204,963	650,908	-
-	-	-	-
<u>\$ 288,918</u>	<u>\$ 681,377</u>	<u>\$6,292,011</u>	<u>\$ 290,977</u>
\$ -	\$ -	\$1,083,434	\$ -
-	-	35,959	-
-	-	21,283	-
19,905	24,427	137,856	-
-	344,298	2,061,779	-
-	-	93,466	-
-	102,201	386,151	-
-	-	-	1,255,708
-	-	-	486,787
-	-	-	26,847
<u>\$ 19,905</u>	<u>\$ 470,926</u>	<u>\$3,819,928</u>	<u>\$ 1,769,342</u>
\$ 269,013	\$ 210,451	\$2,472,083	\$(1,478,365)
\$ -	\$ -	\$ -	\$ 78,000
-	-	-	13,855
-	-	-	934,395
-	-	(934,395)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (934,395)</u>	<u>\$ 1,026,250</u>
\$ 269,013	\$ 210,451	\$1,537,688	\$ (452,115)
357,952	31,907	4,246,044	1,221,315
<u>\$ 626,965</u>	<u>\$ 242,358</u>	<u>\$5,783,732</u>	<u>\$ 769,200</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, 2005

	<u>Street Construction</u>	<u>Local Option Capital Improvement</u>	<u>Total Capital Project</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	1,317,930	1,317,930
Intergovernmental	-	-	-
Charges for services	-	-	-
Use of money and property	-	7,659	7,659
Special assessments	-	-	-
Miscellaneous	-	1,000	1,000
Refunds	-	1,144	1,144
Total revenues	<u>\$ -</u>	<u>\$1,327,733</u>	<u>\$1,327,733</u>
EXPENDITURES:			
Public safety	\$ -	\$ -	\$ -
Public works	20,224	-	20,224
Health & social services	-	-	-
Culture & recreation	-	3,348	3,348
Community & economic development	-	-	-
General government	-	-	-
Capital projects	-	616,416	616,416
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 20,224</u>	<u>\$ 619,764</u>	<u>\$ 639,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (20,224)</u>	<u>\$ 707,969</u>	<u>\$ 687,745</u>
Other financing sources (uses):			
Proceeds from general obligation bonds	\$ -	\$ -	\$ -
Premium/discount on bonds	-	-	-
Transfers in	256	-	256
Transfers out	-	(823,547)	(823,547)
Total other financing sources (uses)	<u>\$ 256</u>	<u>\$ (823,547)</u>	<u>\$ (823,291)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (19,968)</u>	<u>\$ (115,578)</u>	<u>\$ (135,546)</u>
Fund balance beginning of year	<u>(256)</u>	<u>2,261,111</u>	<u>2,260,855</u>
Fund balance end of year	<u>\$ (20,224)</u>	<u>\$2,145,533</u>	<u>\$2,125,309</u>

See Accompanying Independent Auditor's Report.

<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$1,128,376
-	-	-	1,334,795
-	-	-	1,317,930
-	-	-	2,690,823
6,455	-	6,455	86,982
-	25,957	25,957	691,743
-	-	-	39,432
-	19,072	19,072	670,980
-	-	-	1,144
<u>\$ 6,455</u>	<u>\$ 45,029</u>	<u>\$ 51,484</u>	<u>\$7,962,205</u>
\$ -	\$ -	\$ -	\$1,083,434
-	-	-	56,183
-	-	-	21,283
-	57,475	57,475	198,679
-	-	-	2,061,779
-	-	-	93,466
-	-	-	1,002,567
-	-	-	1,255,708
-	-	-	486,787
-	-	-	26,847
<u>\$ -</u>	<u>\$ 57,475</u>	<u>\$ 57,475</u>	<u>\$6,286,733</u>
<u>\$ 6,455</u>	<u>\$ (12,446)</u>	<u>\$ (5,991)</u>	<u>\$1,675,472</u>
\$ -	\$ -	\$ -	\$ 78,000
-	-	-	13,855
-	17,322	17,322	951,973
-	(3,465)	(3,465)	(1,761,407)
<u>\$ -</u>	<u>\$ 13,857</u>	<u>\$ 13,857</u>	<u>\$ (717,579)</u>
\$ 6,455	\$ 1,411	\$ 7,866	\$ 957,893
<u>455,742</u>	<u>776,728</u>	<u>1,232,470</u>	<u>8,960,684</u>
<u>\$ 462,197</u>	<u>\$ 778,139</u>	<u>\$1,240,336</u>	<u>\$9,918,577</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005

	<u>Cemetery</u>	<u>Storm Sewer</u>
ASSETS:		
Current assets:		
Cash	\$ 99,044	\$ 507,570
Investments	50	100,000
Receivables:		
Property taxes	94,042	-
Accounts	31,302	22,852
Accrued interest	15	391
Due from other funds	43,920	-
Prepaid insurance	339	-
Total current assets	<u>\$ 268,712</u>	<u>\$ 630,813</u>
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	117,993	24,728
Improvements	333,352	-
Vehicles	43,227	-
Storm sewer lines	-	2,151,305
Less accumulated depreciation	(352,841)	(997,613)
Total property, plant and equipment	<u>\$ 189,430</u>	<u>\$1,178,420</u>
Total assets	<u>\$ 458,142</u>	<u>\$1,809,233</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 16,219	\$ 3,078
Salaries payable	7,062	-
Accrued compensated absences	17,632	-
Accrued interest payable	-	-
Due to other funds	57,807	26,149
Due to state government	-	-
General obligation notes	-	-
Capital lease	-	-
Prepaid interments	28,656	-
Unearned revenue	92,789	-
Total current liabilities	<u>\$ 220,165</u>	<u>\$ 29,227</u>
Long-term debt:		
General obligation notes	\$ -	\$ -
Capital lease	-	-
Total long-term debt	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ 220,165</u>	<u>\$ 29,227</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 189,430	\$1,178,420
Unrestricted	48,547	601,586
Total net assets	<u>\$ 237,977</u>	<u>\$1,780,006</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>
\$ 46,346	\$ 50,000	\$ -	\$ 128	\$ 703,088
125,000	-	-	-	225,050
-	-	-	-	94,042
93,679	2,933	-	227,956	378,722
99	322	-	-	827
3,990	-	500	-	48,410
466	801	-	450	2,056
<u>\$ 269,580</u>	<u>\$ 54,056</u>	<u>\$ 500</u>	<u>\$ 228,534</u>	<u>\$1,452,195</u>
\$ -	\$ 196,813	\$4,143,120	\$ -	\$4,339,933
583,706	553,873	-	408,710	1,593,988
19,422	239,183	-	137,711	539,037
-	47,951	2,584,991	-	2,966,294
707,996	23,194	13,000	363,390	1,150,807
-	-	-	-	2,151,305
(424,634)	(358,778)	(2,477,266)	(61,197)	(4,672,329)
<u>\$ 886,490</u>	<u>\$ 702,236</u>	<u>\$4,263,845</u>	<u>\$ 848,614</u>	<u>\$8,069,035</u>
<u>\$1,156,070</u>	<u>\$ 756,292</u>	<u>\$4,264,345</u>	<u>\$1,077,148</u>	<u>\$9,521,230</u>
\$ 46,097	\$ 8,562	\$ 2,904	\$ 38,262	\$ 115,122
18,604	9,691	1,092	21,898	58,347
31,317	8,596	2,754	31,627	91,926
-	-	-	2,578	2,578
1,302	7,789	53,863	129,839	276,749
-	1,095	-	-	1,095
-	-	-	37,705	37,705
-	-	-	94,464	94,464
-	-	-	-	28,656
-	-	525	-	93,314
<u>\$ 97,320</u>	<u>\$ 35,733</u>	<u>\$ 61,138</u>	<u>\$ 356,373</u>	<u>\$ 799,956</u>
\$ -	\$ -	\$ -	\$ 362,165	\$ 362,165
-	-	-	305,378	305,378
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 667,543</u>	<u>\$ 667,543</u>
<u>\$ 97,320</u>	<u>\$ 35,733</u>	<u>\$ 61,138</u>	<u>\$1,023,916</u>	<u>\$1,467,499</u>
\$ 886,490	\$ 702,236	\$4,263,845	\$ 48,902	\$7,269,323
172,260	18,323	(60,638)	4,330	784,408
<u>\$1,058,750</u>	<u>\$ 720,559</u>	<u>\$4,203,207</u>	<u>\$ 53,232</u>	<u>\$8,053,731</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Cemetery</u>	<u>Storm Sewer</u>
Operating revenues:		
Charges for service	\$ 86,082	\$ 188,212
Operating expenses:		
Business type activities:		
Personal service	\$ 197,474	\$ 25,910
Contractual	11,917	9,689
Commodities	8,848	11,793
Other	-	11
Depreciation	16,740	74,930
Total operating expenses	<u>\$ 234,979</u>	<u>\$ 122,333</u>
Operating income (loss)	<u>\$ (148,897)</u>	<u>\$ 65,879</u>
Nonoperating revenues (expenses):		
Property taxes	\$ 87,090	\$ -
Fines and forfeitures	-	-
Use of money and property	50,348	7,803
Miscellaneous	28,038	-
Interest	-	-
Total nonoperating revenue (expenses)	<u>\$ 165,476</u>	<u>\$ 7,803</u>
Income (loss) before contributions and transfers	<u>\$ 16,579</u>	<u>\$ 73,682</u>
Contributions and transfers:		
Transfers in	\$ 24,252	\$ -
Capital contributions	-	28,200
Total contributions and transfers	<u>\$ 24,252</u>	<u>\$ 28,200</u>
Change in net assets	\$ 40,831	\$ 101,882
Net assets beginning of year	<u>197,146</u>	<u>1,678,124</u>
Net assets end of year	<u>\$ 237,977</u>	<u>\$1,780,006</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>
\$ 953,381	\$ 292,528	\$ 28,849	\$1,060,997	\$2,610,049
\$ 586,088	\$ 194,689	\$ 37,272	\$ 579,980	\$1,621,413
300,245	49,930	39,633	113,886	525,300
32,258	40,557	2,523	100,133	196,112
41	940	-	526	1,518
73,013	32,376	14,434	55,461	266,954
<u>\$ 991,645</u>	<u>\$ 318,492</u>	<u>\$ 93,862</u>	<u>\$ 849,986</u>	<u>\$2,611,297</u>
\$ (38,264)	\$ (25,964)	\$ (65,013)	\$ 211,011	\$ (1,248)
\$ -	\$ -	\$ -	\$ -	\$ 87,090
-	-	20,509	-	20,509
2,999	9,335	-	1,204	71,689
1,176	-	-	40	29,254
-	(2,998)	-	(36,427)	(39,425)
<u>\$ 4,175</u>	<u>\$ 6,337</u>	<u>\$ 20,509</u>	<u>\$ (35,183)</u>	<u>\$ 169,117</u>
\$ (34,089)	\$ (19,627)	\$ (44,504)	\$ 175,828	\$ 167,869
\$ -	\$ -	\$ -	\$ 31,960	\$ 56,212
-	-	-	-	28,200
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,960</u>	<u>\$ 84,412</u>
\$ (34,089)	\$ (19,627)	\$ (44,504)	\$ 207,788	\$ 252,281
<u>1,092,839</u>	<u>740,186</u>	<u>4,247,711</u>	<u>(154,556)</u>	<u>7,801,450</u>
<u>\$1,058,750</u>	<u>\$ 720,559</u>	<u>\$4,203,207</u>	<u>\$ 53,232</u>	<u>\$8,053,731</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 91,312	\$ 187,783
Cash paid to employees for services	(197,755)	(25,910)
Cash paid to other suppliers of goods or services	(21,672)	(20,393)
Proceeds from miscellaneous items	<u>28,038</u>	<u>26,149</u>
Net cash provided (used) by operating activities	<u>\$ (100,077)</u>	<u>\$ 167,629</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	<u>\$ 87,169</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (3,544)	\$ (74,826)
Principal payments	-	-
Interest payments	<u>-</u>	<u>-</u>
Net cash provided (used) for capital and related financing activities	<u>\$ (3,544)</u>	<u>\$ (74,826)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ 500,000
Purchase of investments	-	(100,000)
Interest received	23,816	7,632
Rent received	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ 23,816</u>	<u>\$ 407,632</u>
Net increase (decrease) in cash	\$ 7,364	\$ 500,435
Cash beginning of year	<u>91,680</u>	<u>7,135</u>
Cash end of year	<u>\$ 99,044</u>	<u>\$ 507,570</u>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 951,621	\$ 293,623	\$ 27,423	\$ 902,057	\$2,453,819
(582,456)	(192,344)	(37,101)	(461,539)	(1,497,105)
(315,167)	(95,325)	(43,173)	(180,297)	(676,027)
<u>1,176</u>	<u>-</u>	<u>52,851</u>	<u>305,451</u>	<u>413,665</u>
<u>\$ 55,174</u>	<u>\$ 5,954</u>	<u>\$ -</u>	<u>\$ 565,672</u>	<u>\$ 694,352</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,169</u>
\$ (112,445)	\$ (13,000)	\$ -	\$ (402,965)	\$ (606,780)
-	(60,000)	-	(126,957)	(186,957)
<u>-</u>	<u>(3,270)</u>	<u>-</u>	<u>(36,828)</u>	<u>(40,098)</u>
<u>\$ (112,445)</u>	<u>\$ (76,270)</u>	<u>\$ -</u>	<u>\$ (566,750)</u>	<u>\$ (833,835)</u>
\$ 100,000	\$ 25,000	\$ -	\$ 150,000	\$ 775,000
(125,000)	(25,000)	-	(150,000)	(400,000)
2,943	450	-	1,206	36,047
<u>-</u>	<u>8,800</u>	<u>-</u>	<u>-</u>	<u>8,800</u>
<u>\$ (22,057)</u>	<u>\$ 9,250</u>	<u>\$ -</u>	<u>\$ 1,206</u>	<u>\$ 419,847</u>
\$ (79,328)	\$ (61,066)	\$ -	\$ 128	\$ 367,533
<u>125,674</u>	<u>111,066</u>	<u>-</u>	<u>-</u>	<u>335,555</u>
<u>\$ 46,346</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ 703,088</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

	<u>Cemetery</u>	<u>Storm Sewer</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$(148,897)	\$ 65,879
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	16,740	74,930
Miscellaneous income	28,038	-
Change in assets and liabilities:		
(Increase) decrease in receivables	5,025	(430)
(Increase) decrease in due from other funds	(1,000)	-
(Increase) decrease in prepaid insurance	182	-
Increase (decrease) in accounts and contracts payable	(82)	1,100
Increase (decrease) in salaries payable	460	-
Increase (decrease) in accrued compensated absences	(723)	-
Increase (decrease) in due to other funds	(24)	26,150
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	204	-
Increase (decrease) in unearned revenue	-	-
	<hr/>	<hr/>
Net cash provided (used) by operating activities	<u>\$(100,077)</u>	<u>\$ 167,629</u>
 Noncash investing, capital and financing activities:		
Developer contributions:		
Storm sewer lines	\$ -	\$ 28,200

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ (38,264)	\$ (25,964)	\$ (65,013)	\$211,011	\$ (1,248)
73,013	32,376	14,434	55,461	266,954
1,176	-	20,509	40	49,763
(1,015)	-	-	(168,873)	(165,293)
16,536	-	-	305,411	320,947
(59)	251	-	3,270	3,644
782	(9,723)	(1,111)	(10,764)	(19,798)
1,942	1,609	170	8,650	12,831
1,761	769	6	31,626	33,439
(698)	6,912	32,430	129,840	194,610
-	(276)	-	-	(276)
-	-	-	-	204
-	-	(1,425)	-	(1,425)
<u>\$ 55,174</u>	<u>\$ 5,954</u>	<u>\$ -</u>	<u>\$565,672</u>	<u>\$694,352</u>
\$ -	\$ -	\$ -	\$ -	\$ 28,200

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ -	\$ 847,960	\$ 847,960
Investments	-	226,215	226,215
Receivables:			
Property taxes	-	728,823	728,823
Accrued interest	-	601	601
Due from other funds	15,412	-	15,412
Total current assets	<u>\$ 15,412</u>	<u>\$1,803,599</u>	<u>\$1,819,011</u>
Property, plant and equipment:			
Equipment	\$ 69,848	\$ -	\$ 69,848
Vehicles	93,846	-	93,846
Total property, plant and equipment	<u>\$163,694</u>	<u>\$ -</u>	<u>\$ 163,694</u>
Less accumulated depreciation	(90,786)	-	(90,786)
Net property, plant and equipment	<u>\$ 72,908</u>	<u>\$ -</u>	<u>\$ 72,908</u>
Total assets	<u>\$ 88,320</u>	<u>\$1,803,599</u>	<u>\$1,891,919</u>
LIABILITIES:			
Accounts payable	\$ 558	\$ 810,530	\$ 811,088
Salaries payable	4,631	-	4,631
Accrued compensated absences	9,000	-	9,000
Due to other funds	134,091	-	134,091
Unearned revenue	-	738,919	738,919
Total liabilities	<u>\$148,280</u>	<u>\$1,549,449</u>	<u>\$1,697,729</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 72,908	\$ -	\$ 72,908
Unrestricted	(132,868)	254,150	121,282
Total net assets	<u><u>\$ (59,960)</u></u>	<u><u>\$ 254,150</u></u>	<u><u>\$ 194,190</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, 2005

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$ 182,221	\$ -	\$ 182,221
Health insurance contributions	-	1,598,558	1,598,558
Total operating revenues	<u>\$ 182,221</u>	<u>\$1,598,558</u>	<u>\$1,780,779</u>
Operating expenses:			
Business type activities:			
Personal services	\$ 147,646	\$2,188,448	\$2,336,094
Contractual	12,544	-	12,544
Commodities	11,375	-	11,375
Depreciation	12,939	-	12,939
Total operating expenses	<u>\$ 184,504</u>	<u>\$2,188,448</u>	<u>\$2,372,952</u>
Operating income (loss)	<u>\$ (2,283)</u>	<u>\$ (589,890)</u>	<u>\$ (592,173)</u>
Nonoperating revenues:			
Property taxes	\$ -	\$ 349,564	\$ 349,564
Use of money and property	-	35,563	35,563
Total nonoperating revenues	<u>\$ -</u>	<u>\$ 385,127</u>	<u>\$ 385,127</u>
Income (loss) before transfers	\$ (2,283)	\$ (204,763)	\$ (207,046)
Transfers out	-	(350,000)	(350,000)
Change in net assets	\$ (2,283)	\$ (554,763)	\$ (557,046)
Net assets beginning of year	(57,677)	808,913	751,236
Net assets end of year	<u>\$ (59,960)</u>	<u>\$ 254,150</u>	<u>\$ 194,190</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$184,861	\$1,472,570	\$1,657,431
Cash received from employees and others	-	124,959	124,959
Cash paid to employees for services	(146,895)	-	(146,895)
Cash paid to suppliers	(35,568)	-	(35,568)
Cash paid for health and life insurance	-	(1,888,230)	(1,888,230)
Net cash provided (used) by operating activities	<u>\$ 2,398</u>	<u>\$ (290,701)</u>	<u>\$ (288,303)</u>
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	\$ -	\$ 345,564	\$ 345,564
Transfers to other funds	-	(350,000)	(350,000)
Net cash provided (used) for non-capital financing activities	<u>\$ -</u>	<u>\$ (4,436)</u>	<u>\$ (4,436)</u>
Cash flows from capital and related financing activities:			
Net acquisition of capital assets	<u>\$ (2,398)</u>	<u>\$ -</u>	<u>\$ (2,398)</u>
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$1,490,000	\$1,490,000
Purchase of investments	-	(1,215,000)	(1,215,000)
Interest received	-	34,993	34,993
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 309,993</u>	<u>\$ 309,993</u>
Net decrease in cash	\$ -	\$ 14,856	\$ 14,856
Cash beginning of year	-	833,104	833,104
Cash end of year	<u>\$ -</u>	<u>\$ 847,960</u>	<u>\$ 847,960</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (2,283)	\$ (589,890)	\$ (592,173)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	12,939	-	12,939
Change in assets and liabilities:			
(Increase) decrease in due from other funds	2,640	106,726	109,366
Increase (decrease) in accounts payable	(2,803)	192,541	189,738
Increase (decrease) in salaries payable	609	-	609
Increase (decrease) in compensated absences	152	-	152
Increase (decrease) in unearned revenues	-	(78)	(78)
Increase (decrease) in due to other funds	(8,856)	-	(8,856)
Net cash provided (used) by operating activities	<u>\$ 2,398</u>	<u>\$ (290,701)</u>	<u>\$ (288,303)</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, 2005

General fixed assets:	
Land	\$2,478,356
Buildings and structures	8,348,213
Improvements other than buildings	8,586,180
Machinery and equipment	3,936,912
Vehicles	6,658,037
Infrastructure	42,662,886
Construction in progress	<u>10,293,528</u>
Total general fixed assets	<u>\$82,964,112</u>
Investment in general fixed assets by source:	
General fund	<u>\$82,964,112</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, 2005

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police department	\$ 3,022,919	\$ 115,000
Fire department	2,805,174	75,150
Civil defense	6,651	-
Building	50,719	-
Inspectors	41,854	-
Total public safety	<u>\$ 5,927,317</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$10,493,427	\$1,569,891
Street department	3,104,551	31,363
Infrastructure	50,689,918	-
City arborist	144,213	-
Engineer	207,134	-
Total public works	<u>\$64,639,243</u>	<u>\$1,601,254</u>
Health and Social Services:		
Youth Task Force	\$ 21,380	\$ -
Health department	31,591	-
Human rights	51,068	-
Total health and social services	<u>\$ 104,039</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 3,807,004	\$ 673,452
Swimming pool	3,132,442	-
Recreation	193,195	-
Library	1,600,232	13,500
Museum	1,165,830	-
Band	2,713	-
Total culture and recreation	<u>\$ 9,901,416</u>	<u>\$ 686,952</u>
Community and Economic Development:		
Housing	\$ 23,785	\$ -
Community development	71,591	-
Transit system	1,047,726	-
Total community and economic development	<u>\$ 1,143,102</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 4,136	\$ -
Council/Coffee room	31,267	-
City administrator	24,521	-
Finance department	67,079	-
City clerk	17,730	-
City hall	1,095,293	-
Safety director	8,969	-
Total general government	<u>\$ 1,248,995</u>	<u>\$ -</u>
Total general fixed assets	<u>\$82,964,112</u>	<u>\$2,478,356</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	\$ -	\$ 849,303	\$ 503,324	\$ -	\$ -
911,166	-	247,773	1,571,085	-	-
-	-	6,651	-	-	-
-	-	34,666	16,053	-	-
-	-	12,831	29,023	-	-
<u>\$2,466,458</u>	<u>\$ -</u>	<u>\$1,151,224</u>	<u>\$2,119,485</u>	<u>\$ -</u>	<u>\$ -</u>
\$1,837,471	\$3,253,798	\$ 411,394	\$1,310,178	\$ -	\$ 2,110,695
806,096	-	260,970	2,006,122	-	-
-	-	-	-	42,662,886	8,027,032
-	-	7,883	136,330	-	-
-	-	133,323	73,811	-	-
<u>\$2,643,567</u>	<u>\$3,253,798</u>	<u>\$ 813,570</u>	<u>\$3,526,441</u>	<u>\$42,662,886</u>	<u>\$10,137,727</u>
\$ -	\$ -	\$ 21,380	\$ -	\$ -	\$ -
-	-	13,258	18,333	-	-
-	-	51,068	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,706</u>	<u>\$ 18,333</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 239,098	\$2,023,272	\$ 677,219	\$ 193,963	\$ -	\$ -
-	3,069,561	62,881	-	-	-
-	22,190	112,214	58,791	-	-
950,388	215,819	420,525	-	-	-
1,049,971	-	115,859	-	-	-
-	-	2,713	-	-	-
<u>\$2,239,457</u>	<u>\$5,330,842</u>	<u>\$1,391,411</u>	<u>\$ 252,754</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 23,785	\$ -	\$ -	\$ -
-	-	52,326	19,265	-	-
140,927	-	29,239	721,759	-	155,801
<u>\$ 140,927</u>	<u>\$ -</u>	<u>\$ 105,350</u>	<u>\$ 741,024</u>	<u>\$ -</u>	<u>\$ 155,801</u>
\$ -	\$ -	\$ 4,136	\$ -	\$ -	\$ -
-	-	31,267	-	-	-
-	-	24,521	-	-	-
-	-	67,079	-	-	-
-	-	17,730	-	-	-
857,804	1,540	235,949	-	-	-
-	-	8,969	-	-	-
<u>\$ 857,804</u>	<u>\$ 1,540</u>	<u>\$ 389,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$8,348,213</u>	<u>\$8,586,180</u>	<u>\$3,936,912</u>	<u>\$6,658,037</u>	<u>\$42,662,886</u>	<u>\$10,293,528</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, 2005

<u>Function and Activity</u>	<u>Balance June 30, 2004</u>
Public Safety:	
Police department	\$ 2,917,031
Fire department	2,768,816
Civil defense	6,651
Building	51,094
Inspectors	44,199
Total public safety	<u>\$ 5,787,791</u>
Public Works:	
Airport	\$ 7,133,254
Street department	2,935,364
Infrastructure	38,424,059
City arborist	117,713
Engineer	204,243
Total public works	<u>\$48,814,633</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>
Culture and Recreation:	
Parks	\$ 3,405,120
Swimming pool	3,099,558
Recreation	167,030
Library	1,560,867
Museum	1,140,936
Band	2,713
Total culture and recreation	<u>\$ 9,376,224</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>
General Government:	
Mayor	\$ 5,420
Council/Coffee room	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>
Construction in progress	<u>\$ 5,175,166</u>
Total general fixed assets	<u>\$71,423,938</u>

See Accompanying Independent Auditor's Report.

<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
\$ 111,285	\$ 5,397	\$ 3,022,919
36,358	-	2,805,174
-	-	6,651
16,053	16,428	50,719
29,023	31,368	41,854
<u>\$ 192,719</u>	<u>\$ 53,193</u>	<u>\$ 5,927,317</u>
\$ 1,270,583	\$ 21,105	\$ 8,382,732
288,700	119,513	3,104,551
4,238,827	-	42,662,886
26,500	-	144,213
2,891	-	207,134
<u>\$ 5,827,501</u>	<u>\$ 140,618</u>	<u>\$54,501,516</u>
\$ 5,110	\$ 100	\$ 21,380
-	-	31,591
14,800	4,186	51,068
<u>\$ 19,910</u>	<u>\$ 4,286</u>	<u>\$ 104,039</u>
\$ 415,083	\$ 13,199	\$ 3,807,004
32,884	-	3,132,442
41,563	15,398	193,195
42,573	3,208	1,600,232
24,894	-	1,165,830
-	-	2,713
<u>\$ 556,997</u>	<u>\$ 31,805</u>	<u>\$ 9,901,416</u>
\$ -	\$ 1,034	\$ 23,785
2,256	15,635	71,591
43,305	-	891,925
<u>\$ 45,561</u>	<u>\$ 16,669</u>	<u>\$ 987,301</u>
\$ -	\$ 1,284	\$ 4,136
6,520	-	31,267
1,922	1,893	24,521
3,129	-	67,079
1,565	-	17,730
18,451	-	1,095,293
1,565	4,280	8,969
<u>\$ 33,152</u>	<u>\$ 7,457</u>	<u>\$ 1,248,995</u>
\$ 8,556,145	\$3,437,783	\$10,293,528
<u>\$15,231,985</u>	<u>\$3,691,811</u>	<u>\$82,964,112</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>
2004-05	\$7,926,815	\$4,320,043	\$661,340	\$2,852,682	\$2,886,020
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>
2004-05	\$2,215,481	\$521,935	\$243,474	\$3,165,550	\$2,519,795
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>
2004-05	\$96,321	\$122,333	\$1,020,631	\$326,498	\$907,072	\$29,785,990
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>
2004-05	\$10,689,040	\$3,200,201	\$8,594,481
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>Unrestricted State Utility Tax Replacement</u>
	<u>Property Taxes</u>	<u>Other Taxes</u>	<u>Franchise Taxes</u>	<u>Road Use Tax</u>		
2004-05	\$9,536,252	\$3,628,930	\$12,883	\$2,442,050		\$161,992
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>Total</u>
	<u>Grants and Contributions Not Restricted to Specific Program</u>	<u>Unrestricted Investment Income</u>	<u>Miscellaneous</u>		
2004-05	\$ 17,401	\$1,523,367	\$292,883		\$40,099,480
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>
2004-05	\$7,396,491	\$2,922,781	\$638,500	\$2,456,088	\$2,741,518
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>
2004-05	\$2,114,246	\$11,064,257	\$1,769,342	\$31,103,223
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.

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>
2004-05	\$9,099,598	\$2,485,875	\$752,700	\$9,835,018	\$709,052
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

- (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.

TABLE 4

<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>
\$228,678	\$1,271,579	\$ 90,348	\$1,057,554	\$ 86,170	\$25,616,572
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

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>
2004-05	\$7,764,803	\$1,344,795	\$16,555	\$ -	\$12,883
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

<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>
2004-05	\$288,301	\$ -	\$161,992	\$1,976,896	\$11,566,225
2003-04	299,046	-	171,678	2,948,279	12,631,926
2002-03	282,093	176,219	211,951	2,186,902	11,805,066
2001-02	232,947	185,670	207,237	2,125,411	11,478,067
2000-01	216,012	193,829	209,489 (2)	1,855,121	11,082,638
1999-00	227,358	194,388	-	1,982,339	10,731,947
1998-99	215,218	194,157	-	1,906,634	10,666,191
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

(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>
2004-05	\$8,380,157	\$8,369,822	99.88%	\$28,402	\$16,044
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)

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>
2004-05	8.69532	.26452	1.59125	10.55109
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

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>
5.04799	.22866	5.27665	14.11808	-	14.11808	3.00375	32.94957
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

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

Fiscal Year	Property Valuations*		
	Real Property	Utilities	Total
2004-05	\$1,316,332,203	\$31,674,231	\$1,348,006,434
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

*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>
2004-05	\$185,137	\$133,584	.72 to 1	\$383,900
2003-04	205,579	209,480	1.02 to 1	438,184
2002-03	237,187	240,920	1.02 to 1	610,447
2001-02	248,793	256,869	1.03 to 1	698,896
2000-01	257,345	193,933	.80 to 1	955,684
1999-00	235,216	179,394	.76 to 1	919,529
1998-99	251,643	172,533	.69 to 1	923,375
1997-98	234,845	233,709	.99 to 1	727,708
1996-97	245,102	179,124	.73 to 1	939,749
1995-96	256,163	266,578	1.04 to 1	844,464

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>
2004-05	29,172	\$1,348,006,434	\$ 8,453,000	\$ 769,200
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

<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>
2004-05	\$ 7,683,800	.57	263.40
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

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, 2005

Actual assessed valuation as of January 1, 2004 (100% basis) (1):	
Real property	\$1,316,332,203
Utilities	<u>31,674,231</u>
Total actual valuation	<u>\$1,348,006,434</u>
 Debt Limit - 5% of actual valuation	 \$ 67,400,322
Amount of debt applicable to debt limit:	
Total general bonded debt	<u>13,751,129</u>
 Legal debt margin	 <u>\$ 53,649,193</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, 2005

<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	\$ 7,053,000	100.00%	\$ 7,053,000
Mason City Community School District	23,700,000	91.00%	21,567,000
Cerro Gordo County	1,846,267	49.14%	907,256
North Iowa Area Community College	<u>7,795,000</u>	-	<u>-</u>
Total	<u>\$40,394,267</u>		<u>\$29,527,256</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>
2004-05	\$1,255,708	\$ 486,787	\$1,742,495	\$27,254,927	6.39%
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

(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>
2004-05	\$2,311,231	\$1,660,486	\$ 650,745
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

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2004-05	\$330,000	\$127,679	\$457,679	1.42
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

(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>
2004-05	\$4,069,839	\$2,534,220	\$1,535,619
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

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2004-05	\$1,088,000	\$457,617	\$1,545,617	0.99
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

(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>
2004-05	29,172	\$28,487	41.55	4,241	4.8
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

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

<u>Fiscal Year</u>	<u>Commercial Construction (1)</u>		<u>Residential Construction (1)</u>	
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>
2004-05	16	\$ 9,113,864	57 single 0 apt.	\$10,261,563 -
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

<u>Fiscal Year</u>	<u>Bank Deposits (4)</u>	<u>Property Value (2)</u>		
		<u>Commercial</u>	<u>Residential</u>	<u>Exemptions</u>
2004-05	\$546,328,085	\$321,964,594	\$883,697,384	\$112,640,929
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

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, 2005

Taxpayer	2005 Assessed Valuation (Real and Personal Property) (1)	Percentage of Total Assessed Valuation
Interstate Power Company	\$ 21,634,723	1.60%
Lehigh Portland Cement Company	17,880,939	1.33
AADG, Inc.	14,872,021	1.10
Northwestern States Cement - Holnam	14,129,620	1.05
Downtown Mall Associates	12,082,830	.90
Mills Fleet Farm	10,004,741	.74
Wal-Mart	8,814,648	.65
Principal Mutual Life	8,779,280	.65
CAG Subsidiary, Inc.	7,414,400	.55
Dayton Hudson	7,120,080	.53
Mason City Shopping Center, Ltd.	7,002,270	.52
Sunny Fresh Foods	6,831,450	.51
Qwest	6,038,165	.45
MDG	5,985,175	.44
Menards	5,963,180	.44
General Foods Corporation	4,484,460	.33
Automotive Northern	3,986,200	.29
IMI Cornelius	3,972,150	.29
Mason City Shopping Center (S. Federal)	3,831,570	.28
Agri Industries	<u>3,767,911</u>	<u>.28</u>
Total	<u>\$174,595,813</u>	<u>12.96%</u>

Source: (1) City Assessor

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 MISCELLANEOUS STATISTICS
 JUNE 30, 2005

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	150.78
Unpaved	<u>41.12</u>
Total	191.90
Miles of Sewers:	
Storm	46.44
Sanitary	<u>159.05</u>
Total	205.49
Building Permits--2004-05:	
Permits issued	592
Estimated cost	\$48,849,281
Fire Protection:	
Number of stations	1
Number of employees	45
Police Protection:	
Number of stations	1
Number of employees	62
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	120
Libraries:	
Number of items in collections	109,576
Number of street lights	1,744

(continued)

TABLE 19
(continued)

Employees as of June 30, 2005:	
Full-time by departments:	
City Hall	1
Personnel	2
City Administrator	2
Airport	5
Library	13
Museum	5
Cemetery	3
Clerk	3
Community Development	9
Engineering	7
Finance	7
Fire (Civilian)	1
Neighborhood Services	4
Building Inspection	3
Electrical Inspection	1
Plumbing Inspection	1
Human Rights	2
Mayor's Office	0
Park	7
Golf Course	2
Recreation	4
Police (Civilian)	15
Refuse (Sanitation)	12
Streets, Arborist and Internal Services	21
Public transit	14
Water Distribution-Production-Storeroom-Cashier	22
Water Reclamation	17
Youth Task Force	3
Elections:	
Last general election	November, 2004
Registered voters	20,774
Number of votes cast	15,062
Percentage of registered voters voting	72.50%
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.

