

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

INTRODUCTORY SECTION

**CITY OF MASON CITY, IOWA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2006**

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Schedule

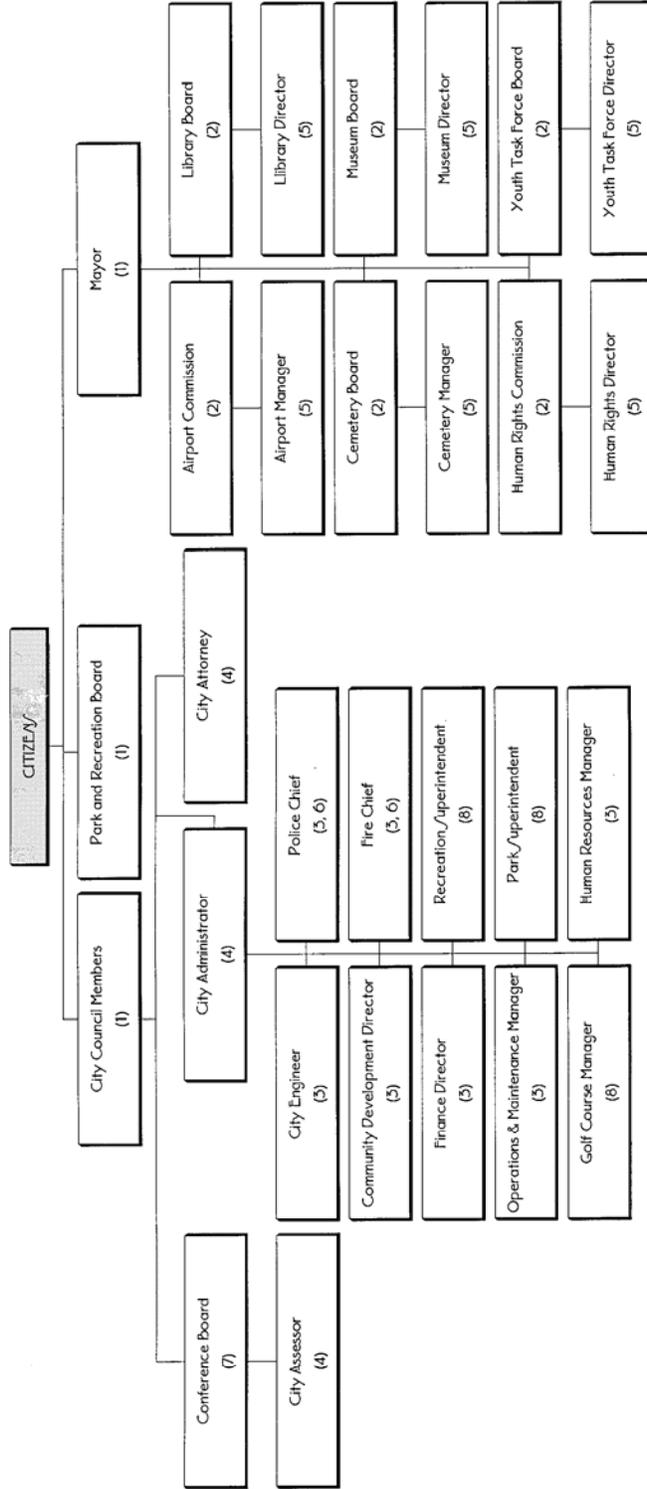
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**CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2006**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	(Before January, 2006)	
Jean Marinos	Mayor	2006
Lori Henry	Mayor Pro-Tem	2006
Leonard Foster	Council Member	2006
John Jaszewski	Council Member	2006
Jeff Marsters	Council Member	2008
Don Nelson	Council Member	2008
Max Weaver	Council Member	2008
Pat McGarvey	City Administrator/Clerk	2005
Gary Wilfong	Acting Public Works Director	2005
Kevin Jacobson	Director of Finance/Treasurer	2005
Tom Meyer	City Attorney	2005
James Locher	Airport Attorney	2005
David Ellingson	Police Chief	2005
Bob Platts	Fire Chief	2005
Myrtle Nelson	Community Development Director	2005
William Stangler	Operations and Maintenance Manager	2005
Brian Carrot	Human Resources Manager	2005
Mark Suby	Parks Manager	2005
Dan Brown	Recreation Manager	2005
Pam Osgood	Airport Manager	2005
Sheila Perry	MacNider Museum Director	2005
Holly Martin-Huffman (effective 9-1-05)	Library Director	2005
Mark Halverson	Elmwood Cemetery Manager	2005
Lionel Foster	Human Rights Director	2005
	(After January, 2006)	
Roger Bang	Mayor	2008
John Jaszewski	Mayor Pro-Tem	2010
Jeff Marsters	Council Member	2008
Don Nelson	Council Member	2008
Max Weaver	Council Member	2008
Scott Tornquist	Council Member	2010
Al Zook	Council Member	2010
Pat McGarvey (resigned 7-14-06)	City Administrator/Clerk	2006
Gary Wilfong (resigned 12-14-06)	Public Works Director	2006
Kevin Jacobson	Director of Finance/Treasurer	2006
Tom Meyer	City Attorney	2006
James Locher	Airport Attorney	2006
David Ellingson (resigned 8-11-06)	Police Chief	2006
Bob Platts	Fire Chief	2006
Myrtle Nelson (resigned 10-11-06)	Community Development Director	2006
William Stangler	Operations and Maintenance Manager	2006
Brian Carrot (resigned 9-29-06)	Human Resources Manager	2006
Mark Suby	Parks Manager	2006
Dan Brown	Recreation Manager	2006
Pam Osgood	Airport Manager	2006
Sheila Perry (resigned 10-20-06)	MacNider Museum Director	2006
Holly Martin-Huffman	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

Mason City

CITY OF MASON CITY

10 1st Street NW . Mason City, IA 50401

February 22, 2007

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, 2006 (FY06) 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, 2005. 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, 2006, 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.

GOVERNMENTAL STRUCTURE

The City of Mason City operates under the Mayor/Council form of government with six City Council members, four of which are elected from wards and two elected at-large. The Mayor is elected at large and for a four-year term. The City Council is elected to four-year terms. Three Council seats are up for election every two years. The City Administrator reports to the City Council. Ten City departments are under the direction of the City Administrator. The City Attorney is under the direction of the City Council and six departments are under the direction of a board or commission. The Mayor and Council appoint members of the Airport and Youth Task Force Commissions and the Library, Cemetery and Museum Boards.

Departments include City Clerk, Community Development, Engineering, Finance, Fire, Human Resources, Operations and Maintenance, Parks, Recreation and Police. The Neighborhood Services Division oversees Transit, Health, Inspections and Animal Control services. The City owns the Mason City Public Library, the Highland Park Golf Course and the Mason City Municipal Airport.

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 2005-2006 fiscal year, the MCEDC and City staff spearheaded many new initiatives to further assist local industries and attract new capital investment. Area accomplishments for the past fiscal year include:

- Metalcraft, Inc. The existing management executed a buy-out with the owners to maintain local ownership of the company. This retained 75 jobs and there are plans to add 15-18 more jobs in approximately 4 years.
- Abacus (a.k.a. Ampro) purchased two businesses and consolidated them into one, relocating both to Mason City.
- Albert Lea Steel opened a branch office/warehouse in formerly vacant space under the name of KJL Steel with two new positions and the plan is to eventually get to 5 total employees.
- Dimensional Graphics Corporation acquired and moved a paper tag business to Mason City from Minneapolis. The company is currently considering a physical expansion. The acquisition could eventually add up to 25 new jobs.
- Behr Mason City completed the purchase and remodeling of their metal recycling plant in Mason City. Capital improvements totaled \$11 million and the company added 28 new jobs.
- Golden Grain Energy began their \$48 million second-phase expansion, scheduled for completion in June 2007. This expansion will eventually add 10 jobs.
- Freedom Fuels, LLC, a \$44 million biodiesel production facility, began 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 38 companies that are contemplating expansion to Cerro Gordo County, exhibited at 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. We continued to partner with the Mason City Municipal Airport and North Iowa Air Service to promote their amenities and services with an electronic newsletter created and maintained 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).

EXPANDED AND NEW INDUSTRIES (7/1/05-6/30/06)

The valuation of new or expanded industrial development totaled approximately \$4,095,000 while new or expanded commercial and industrial development together totaled \$14,163,499. Lehigh's expansion project was the front-runner for industrial development. The commercial sector experienced development of 13 new structures in addition to over 84 expansions, remodeling or improvement projects. Four major developments in our commercial sector were the construction projects for the \$2.6 million Salvation Army office building and retail store, PETCO retail addition of \$670,000, the new Frito Lay building of \$235,000 and Social Security Administration building at over \$377,000. A new bank and various storage facilities were also built at valuations of approximately \$822,000. 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 Mercy Medical Center, Southbridge Mall (Finish Line, CJ Banks and Vanity), Staples, Anytime Fitness, Stadheim Jewelers, Hong Kong Buffet, Comprehensive Systems, North Iowa Hockey Arena, First Citizens National Bank, Land-O-Lakes, Tractor Supply Company, YMCA, HED Cycling, Hobby Lobby; Movie Time and Newman Catholic Schools engaged in physical additions and/or renovations to their current facilities. Of note this past fiscal year was the addition of OmniTel's retail and professional space in the historic downtown Brick & Tile Building. Several of the above listed businesses opened for business during the year while others either completed or started remodeling and/or expansion projects.

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. Continued to increase the number of events sponsored by the MCDA.
6. Provided individual sessions and one group session with a national speaker to educate the business community on marketing.
7. Hosted the Main Street Iowa Resource visit.

HOUSING

Housing construction for Fiscal Year 2006 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 FY06 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 completed administration of a 2005 Housing Fund grant in the amount of \$448,365 that provided forgivable loans to 19 low- and moderate-income owner-occupants in the Gooch Park Neighborhood for housing rehabilitation. A 2006 Housing Fund grant was received in the amount of \$193,582 to assist five low- and moderate-income, first-time homebuyers. Funds are being used to assist with down payment, closing costs and/or mortgage buy-down, as well as, housing rehabilitation in support of homeownership. The program has assisted 5 homebuyers and an additional \$30,000 was awarded to assist up to 3 more. Two 2007 Housing Fund applications were submitted: \$347,750 was requested to assist homeowners in the Brice & Ong Neighborhood with housing rehabilitation; and \$168,500 was requested to continue the homebuyer/housing rehabilitation program. Awards will be announced in March 2007. In addition, a \$100,000 grant was received from the Federal Home Loan Bank-Des Moines to assist very low-income homeowners with emergency repairs and barrier removal projects. First Citizens National Bank has committed an additional \$15,000 for the program.

TRAFFIC

In 2006, 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.

Approximately 460 lineal feet of new PCC pavement was placed, extending 23rd Street SW into Frederick Hanford Park.

Approximately 300 lineal feet of new PCC pavement was placed to complete the paving project on South Pierce Ave.

Approximately 4.22 miles of existing paving was resurfaced to extend the life of the pavement and to improve rideability.

2,270 square yards of full depth PCC pavement patches were removed and replaced to improve deteriorating infrastructure.

680 lineal feet of curb and gutter were removed and replaced to improve the structural integrity of city street edges.

To improve safety of the motorist, approximately 57 miles of pavement markings were renewed to define centerlines, edge lines, no passing, medians, etc. Approximately 740 pavement marking symbols were also renewed.

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, 2006 provided instances of material weakness in the internal control structure and 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, 2006.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$12,532,339	48.53%
Licenses and Permits	422,326	1.64
Intergovernmental	9,576,497	37.08
Service Revenues	979,364	3.79
Fines and Forfeitures	195,322	0.76
Use of Monies and Properties	913,688	3.54
Special Assessments	75,497	0.29
Miscellaneous	1,017,020	3.94
Refunds	111,921	0.43
Total	<u>\$25,823,974</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, 2006.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$ 7,904,694	28.02%
Public Works	2,854,379	10.12
Health and Social Services	586,664	2.08
Culture and Recreation	2,589,238	9.18
Community & Economic Development	3,617,369	12.82
General Government	2,244,677	7.96
Capital Projects	6,512,988	23.09
Debt Service	1,902,567	6.73
Total	<u>\$28,212,576</u>	<u>100.00%</u>

GENERAL FUND BALANCE

The General Fund closed the FY06 with a fund balance of \$8,802,011 compared to \$9,264,414 on June 30, 2005. This was due to a \$462,403 deficiency of revenues under expenditures for FY06.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$78,816 in FY06, a decrease of 8.4% from FY05. Operating expenses were \$245,617 in FY06, an increase of 4.5% from FY05. Net income was \$(43,510) in FY06, a 206.5% decrease from FY05.
2. Waterworks Fund - Operating revenues were \$4,091,801 in FY06, an increase of 2.4% from FY05. Operating expenses were \$3,948,124 in FY06, an increase of 29.6% from FY05. Net income was \$637,446 in FY06, a 72.4% decrease from FY05.
3. Sewer Rental Fund - Operating revenues were \$2,345,364 in FY06, an increase of 3.4% from FY05. Operating expenses were \$2,446,561 in FY06, an increase of 5.4% from FY05. Net income was \$(174,849) in FY06, a 51,477.8% decrease from FY05.
4. Parking Lots Fund - Operating revenues were \$28,323 in FY06, a decrease of 1.8% from FY05. Operating expenses were \$110,671 in FY06, an increase of 17.9% from FY05. Net income was \$(60,044) in FY06, a 34.9% decrease from FY05.
5. Storm Sewer Fund - Operating revenues were \$188,914 in FY06, a 0.3% increase from FY05. Operating expenses were \$125,947 in FY06, a 2.9% increase from FY05. Net income was \$88,076 in FY06, a 13.5% decrease from FY05.
6. Solid Waste Fund - Operating revenues were \$979,284 in FY06, an increase of 2.7% from FY05. Operating expenses were \$1,043,870 in FY06, an increase of 5.2% from FY05. Net income was \$(58,703) in FY06, a 72.2% decrease from FY05.
7. Golf Course Fund - Operating revenues were \$307,984 in FY06, an increase of 5.3% from FY05. Operating expenses were \$400,098 in FY06, an increase of 25.6% from FY05. Net income was \$(56,672) in FY06, a 188.7% decrease from FY05.
8. Ambulance Fund - Operating revenues were \$1,437,783 in FY06, an increase of 35.5% from FY05. Operating expenses were \$1,086,407 in FY06, an increase of 27.8% from FY05. Net income was \$322,447 in FY06, an increase of 55.1% from FY05.

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, 2006:

	<u>Amount</u>	<u>RATIOS</u>	
		<u>Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Bonded Debt	\$8,034,266	0.92%	\$275.41

The City issued \$2,585,000 of General Obligation bonds and \$500,000 of General Obligation capital loan notes 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 mutual fund accounts with Wells Fargo. The City earned interest revenue of \$1,158,049 on all investments for the year ended June 30, 2006.

For the fiscal period ended June 30, 2006, interest income was as follows:

<u>Fund Type</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
General Fund	\$ 459,331	\$258,695
Special Revenue Funds	358,939	301,315
Capital Projects Funds	61,064	7,659
Enterprise Funds	158,165	89,091
Permanent Funds	45,167	48,750
Debt Service Funds	29,149	16,832
Fiduciary Funds	391	-
Internal Service Funds	45,843	34,348
Total Interest Earned	<u>\$1,158,049</u>	<u>\$756,690</u>

The increase in earnings on idle funds invested for the year ending June 30, 2006 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 FY06 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, 2005. This was the twentieth 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, 2005

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.



President

Executive Director

FINANCIAL SECTION



Certified Public Accountant
117 N. Jackson Street
Charles City, Iowa 50616-2036

Phone: (641) 228-5900
Fax: (641) 228-1513
email: dkroncpa@fiai.net

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, 2006, 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, 2006, 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 February 22, 2007 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. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information for the year ended June 30, 2006 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

February 22, 2007

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, 2006. 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, 2006, by \$107.38 million (net assets). Of this amount, \$22.05 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4.3 million.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$21.08 million, a decrease of 7% as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8.59 million, or 47.2% of the total general fund expenditures.
- Total debt increased by \$700,000 (2.3%) during the current fiscal year. The City issued \$3.33 million of new bonds and retired \$2.66 million of existing bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 17-24 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 25-34 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 35-36 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 37-58 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 \$107,379,528 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net assets (76%) 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, 2006 and June 30, 2005.

City of Mason City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current & other assets	\$36,223,608	\$36,494,940	\$ 4,894,603	\$ 5,408,436	\$ 41,118,211	\$ 41,903,376
Capital assets	58,205,410	52,863,391	54,850,558	53,504,452	113,055,968	106,367,843
Total assets	94,429,018	89,358,331	59,745,161	58,912,888	154,174,179	148,271,219
Long-term liabilities outstanding	9,486,068	9,871,539	18,558,807	18,019,726	28,044,875	27,891,265
Other liabilities	15,911,207	14,392,748	2,838,569	2,932,852	18,749,776	17,325,600
Total liabilities	25,397,275	24,264,287	21,397,376	20,952,578	46,794,651	45,216,865
Net Assets:						
Invested in capital assets, net of related debt	47,154,271	41,643,488	34,761,907	34,113,573	81,916,178	75,757,061
Restricted	1,038,452	1,217,609	2,379,182	1,920,304	3,417,634	3,137,913
Unrestricted	20,839,020	22,232,947	1,206,696	1,926,433	22,045,716	24,159,380
Total	\$69,031,743	\$65,094,044	\$38,347,785	\$37,960,310	\$ 107,379,528	\$ 103,054,354

A portion of the City of Mason City's net assets (3.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$22,045,716) may be used to meet the government's ongoing obligation to citizens and creditors.

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

There was an increase of \$387,475 in net assets for the City of Mason City's business-type activities. Most of the increase is due to the update of the Sanitary Sewer system.

The government's net assets increased by \$4,325,174 during the current fiscal year. Most of the increase was due to the Airport improvements including construction on the runway and overlaying the taxiway.

City of Mason City's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Charges for services	\$ 1,679,915	\$ 1,787,233	\$ 9,483,191	\$ 8,901,807	\$ 11,163,106	\$ 10,689,040
Operating grants & contributions	3,382,410	3,200,201	-	-	3,382,410	3,200,201
Capital grants & contributions	4,771,256	7,357,615	523,134	1,236,866	5,294,390	8,594,481
General Revenues:						
Taxes	17,286,280	15,692,418	92,994	87,090	17,379,274	15,779,508
Investment earnings	1,028,584	1,340,758	185,868	182,609	1,214,452	1,523,367
Miscellaneous	10,037	259,635	81,318	33,248	91,355	292,883
Total revenues	28,158,482	29,637,860	10,366,505	10,441,620	38,524,987	40,079,480
Expenses:						
Public safety	8,550,232	7,926,815	-	-	8,550,232	7,926,815
Public works	5,510,270	4,320,043	-	-	5,510,270	4,320,043
Health & social servies	614,429	661,340	-	-	614,429	661,340
Culture & recreation	3,029,345	2,852,682	-	-	3,029,345	2,852,682
Community & econ development	3,610,475	2,886,020	-	-	3,610,475	2,886,020
General government	2,366,733	2,215,481	-	-	2,366,733	2,215,481
Interest on debt	509,503	521,935	-	-	509,503	521,935
Water	-	-	4,193,851	3,165,550	4,193,851	3,165,550
Sewer	-	-	2,670,534	2,519,795	2,670,534	2,519,795
Other	-	-	3,144,441	2,716,329	3,144,441	2,716,329
Total expenses	24,190,987	21,384,316	10,008,826	8,401,674	34,199,813	29,785,990
Increase in net assets before transfers	3,967,495	8,253,544	357,679	2,039,946	4,325,174	10,293,490
Transfers	(29,796)	(356,212)	29,796	356,212	-	-
Increase in net assets	3,937,699	7,897,332	387,475	2,396,158	4,325,174	10,293,490
Net assets 7-1-2005	65,094,044	57,196,712	37,960,310	35,564,152	103,054,354	92,760,864
Net assets 6-30-2006	\$69,031,743	\$65,094,044	\$38,347,785	\$37,960,310	\$ 107,379,528	\$ 103,054,354

Governmental activities

The governmental activities' net assets for the City of Mason City increased by \$3,937,699 during the current fiscal year, accounting for 91% 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 Airport runway rehabilitation, street construction and park improvements.

Business-type activities

Total net assets increased by \$387,475 for fiscal year 2006, accounting for 9% of the total growth in the City of Mason City's net assets. The minimal increase is due to the City continuing upgrades of the sanitary sewer system.

Charges for services for business-type activities increased 6.5%. Utility rate increases of 8.63% for Water and 15.73% for Sewer were enacted July 1, 2005.

Operating expenses for business type activities increased by 19%. Water expenses increased by 32% while Sewer expenses increased by 5.9%. The increase in Water is due directly to the need to continually change the filters for the Radium Reduction Plant.

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 \$21,078,127, a decrease of \$1,609,384 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 (\$619,718); 2) for cemetery perpetual care (\$418,734); and 3) prepaid expenditures (\$214,795).

The General Fund is the chief operating fund of the City of Mason City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,593,915 while total fund balance reached \$8,802,011. 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 47.2% of total general fund expenditures, while total fund balance represents 48.4% of that same amount.

The General Fund balance decreased by \$462,403 during the current fiscal year. Key factors in this decrease are as follows:

- Revenues for grants were below budget projections. Overall, general fund revenues were below budget by 16.9%.
- Revenue categories where revenues were weaker than anticipated include intergovernmental and licenses and permits.
- Overall expenditures were under approved budget by 22.8%.

The debt service fund has a total fund balance of \$619,718, 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 17-24.

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 \$654,191. Water reported an increase in net assets of \$637,446 and Sewer reported a decrease of \$174,849.

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 ongoing water main replacement projects. The Sewer rate increase is being used to fund the ongoing completion of the inflow and infiltration study for the sewer system.

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 \$642,652 and the significant items are summarized as follows:

- Public safety expenses for salaries and retiree benefits were increased by \$103,000 and funded through General Fund reserves.
- Fire safety gear was increased \$161,000 and funded through grants.
- Youth Task Force services were increased by \$100,000 and funded through state grants.

The variance between the amended budget and actual was due mainly to capital projects not being completed during the fiscal year. Several of the projects that were carried over into the next fiscal year were included in next year's budget.

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, 2006, amounts to \$113,055,968 (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:

- Several street construction projects including overlay and intersection improvements were completed.
- Bridge repairs were completed during the year.
- The Airport completed runway reconstruction and taxiway overlay projects.
- Several parks enhancements were completed including improvements to Rorick Park.
- The Cemetery completed the entrance project.
- Outdoor warning sirens were installed to replace the aged sirens.
- A new fire truck was purchased.
- The inflow and infiltration project continues to update the sewer infrastructure.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,634,356	\$ 2,478,356	\$ 4,823,362	\$ 4,803,362	\$ 7,457,718	\$ 7,281,718
Buildings & Structures	2,961,646	2,836,763	14,609,189	2,126,534	17,570,835	4,963,297
Other Improvements	5,100,989	5,346,145	232,042	238,345	5,333,031	5,584,490
Machinery & Equip	1,408,359	1,191,492	551,935	559,646	1,960,294	1,751,138
Vehicles	2,464,028	2,535,876	1,148,423	1,130,934	3,612,451	3,666,810
Infrastructure	37,367,402	28,181,231	31,779,324	21,385,616	69,146,726	49,566,847
Const in Progress	6,268,630	10,293,528	1,706,283	23,260,015	7,974,913	33,553,543
Total	\$58,205,410	\$52,863,391	\$54,850,558	\$53,504,452	\$113,055,968	\$ 106,367,843

Additional information on the City of Mason City's capital assets can be found in Note 6 on pages 48-49 of this report.

Long-Term Debt

The amount of debt outstanding at fiscal year end was \$31.24 million as compared to \$30.75 million last fiscal year. The increase is a result of issuance of new debt for street construction. Of the total debt outstanding, \$8.7 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			
	2006	2005	2006	2005	2006	2005
General obligation	\$ 8,611,024	\$ 8,509,125	\$ 4,353,612	\$ -	\$12,964,636	\$ 8,509,125
Revenue bonds	2,401,925	2,719,272	15,735,039	19,390,879	18,136,964	22,110,151
Equipment purchase contract	64,829	126,867	-	-	64,829	126,867
Total	\$11,077,778	\$11,355,264	\$20,088,651	\$19,390,879	\$31,166,429	\$30,746,143

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 51-52.

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 \$67,487,614, and the City of Mason City is currently at \$15,111,754 or 22.4% 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 51-55 of this report.

Economic Factors and Next Year's Budget and Rates

- The national average unemployment for the June 2006 is 4.6%. The unemployment level for the same period in 2005 averaged 5.0%. Cerro Gordo County's rate for June 2006 is somewhat lower at 3.8%, and the state's rate is lower still at 3.6%.
- The hourly wage rate in Cerro Gordo County averaged \$13.17 for 2005 and has risen to \$14.01 at the end of FY 2006.
- Retail sales in the Cerro Gordo County were \$600 million for fiscal year 2006 compared to \$568 million in fiscal year 2005.
- The total value of building permits for fiscal year 2006 was approximately \$30 million. This compares with an amount of \$49 million for fiscal year 2005.

Next Year's Budget and Rates

For FY 2008, 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 4.8% for Water and 14.5% for Sewer for FY 2008. Several capital projects are currently under consideration for the FY 2008 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, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$12,170,615	\$ 1,964,811	\$ 14,135,426
Investments	10,364,368	65,050	10,429,418
Receivables:			
Taxes	10,598,918	93,682	10,692,600
Special assessments	136,029	24,325	160,354
Accounts (net)	58,157	1,205,106	1,263,263
Accrued interest	63,547	6,085	69,632
Internal balances	1,261,041	(1,261,041)	-
Due from other governments	813,459	40,782	854,241
Prepaid insurance	214,795	28,979	243,774
Inventory	-	337,847	337,847
Total current assets	<u>\$35,680,929</u>	<u>\$ 2,505,626</u>	<u>\$ 38,186,555</u>
Noncurrent assets:			
Restricted assets:			
Cash	\$ 4,640	\$ 1,573,237	\$ 1,577,877
Investments	411,781	800,000	1,211,781
Receivables	2,313	5,945	8,258
Special assessments	123,945	9,795	133,740
Capital assets:			
Land and construction in progress	8,902,986	6,529,645	15,432,631
Other capital assets net of depreciation	49,302,424	48,320,913	97,623,337
Total noncurrent assets	<u>\$58,748,089</u>	<u>\$57,239,535</u>	<u>\$115,987,624</u>
Total assets	<u>\$94,429,018</u>	<u>\$59,745,161</u>	<u>\$154,174,179</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 1,674,745	\$ 213,652	\$ 1,888,397
Salaries payable	436,867	154,949	591,816
Contracts payable	545,664	432,801	978,465
Accrued compensated absences	833,021	241,343	1,074,364
Accrued interest payable	38,516	52,414	90,930
Due to other governments	157,523	21,759	179,282
Due to customers	-	46,087	46,087
Unearned revenue	10,633,161	109,948	10,743,109
Prepaid interments	-	35,772	35,772
Current portion of long-term debt:			
Bonds payable	1,500,242	1,431,779	2,932,021
Equipment purchase contract	64,829	-	64,829
Capital lease	-	98,065	98,065
Settlement payable	26,639	-	26,639
Total current liabilities	<u>\$15,911,207</u>	<u>\$ 2,838,569</u>	<u>\$ 18,749,776</u>
Noncurrent liabilities:			
Bonds payable	\$ 9,555,667	\$18,483,011	\$ 28,038,678
Capital lease	-	207,259	207,259
Settlement payable	4,889	-	4,889
Discount on bonds payable	(12,995)	(131,463)	(144,458)
Excess refunding debt costs	(61,493)	-	(61,493)
Total noncurrent liabilities	<u>\$ 9,486,068</u>	<u>\$18,558,807</u>	<u>\$ 28,044,875</u>
Total liabilities	<u>\$25,397,275</u>	<u>\$21,397,376</u>	<u>\$ 46,794,651</u>

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET ASSETS:			
Invested in capital assets-net of related debt	\$47,154,271	\$34,761,907	\$ 81,916,178
Restricted for:			
Bond retirement	619,718	2,379,182	2,998,900
Perpetual care	418,734	-	418,734
Unrestricted	<u>20,839,020</u>	<u>1,206,696</u>	<u>22,045,716</u>
Total net assets	<u>\$69,031,743</u>	<u>\$38,347,785</u>	<u>\$107,379,528</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

<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	\$ 8,550,232	\$ 503,548	\$ 151,334
Public works	5,510,270	131,066	4,574
Health and social services	614,429	2,510	355,567
Culture and recreation	3,029,345	465,783	436,025
Community and economic development	3,610,475	373,033	2,434,910
General government	2,366,733	203,975	-
Interest on long-term debt	509,503	-	-
Total governmental activities	<u>\$24,190,987</u>	<u>\$ 1,679,915</u>	<u>\$ 3,382,410</u>
Business-type activities:			
Cemetery	\$ 258,434	\$ 78,816	\$ -
Water	4,193,851	4,091,801	-
Sewer	2,670,534	2,347,982	-
Parking lots	114,494	50,627	-
Storm sewer	125,947	188,914	-
Solid waste	1,090,911	979,284	-
Golf course	404,347	307,984	-
Ambulance	1,150,308	1,437,783	-
Total business-type activities	<u>\$10,008,826</u>	<u>\$ 9,483,191</u>	<u>\$ -</u>
Total primary government	<u>\$34,199,813</u>	<u>\$11,163,106</u>	<u>\$ 3,382,410</u>

General Revenues:
 Property taxes
 Other 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>
\$ 164,484	\$ (7,730,866)	\$ -	\$ (7,730,866)
3,336,110	(2,038,520)	-	(2,038,520)
-	(256,352)	-	(256,352)
545,278	(1,582,259)	-	(1,582,259)
725,384	(77,148)	-	(77,148)
-	(2,162,758)	-	(2,162,758)
-	(509,503)	-	(509,503)
<u>\$ 4,771,256</u>	<u>\$(14,357,406)</u>	<u>\$ -</u>	<u>\$(14,357,406)</u>
\$ -	\$ -	\$ (179,618)	\$ (179,618)
521,882	-	419,832	419,832
1,252	-	(321,300)	(321,300)
-	-	(63,867)	(63,867)
-	-	62,967	62,967
-	-	(111,627)	(111,627)
-	-	(96,363)	(96,363)
-	-	287,475	287,475
<u>\$ 523,134</u>	<u>\$ -</u>	<u>\$ (2,501)</u>	<u>\$ (2,501)</u>
<u>\$ 5,294,390</u>	<u>\$(14,357,406)</u>	<u>\$ (2,501)</u>	<u>\$(14,359,907)</u>
	\$ 10,490,524	\$ 92,994	\$ 10,583,518
	4,112,909	-	4,112,909
	2,442,817	-	2,442,817
	159,226	-	159,226
	80,804	-	80,804
	1,028,584	185,868	1,214,452
	10,037	81,318	91,355
	(29,796)	29,796	-
	<u>\$ 18,295,105</u>	<u>\$ 389,976</u>	<u>\$ 18,685,081</u>
	\$ 3,937,699	\$ 387,475	\$ 4,325,174
	65,094,044	37,960,310	103,054,354
	<u>\$ 69,031,743</u>	<u>\$38,347,785</u>	<u>\$107,379,528</u>

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2006

	<u>General</u>	<u>Road Use Tax</u>	<u>Other Governmental</u>	<u>Total</u>
ASSETS:				
Cash	\$ 6,762,988	\$ 652,922	\$ 4,037,307	\$11,453,217
Investments	2,575,000	500,000	6,799,799	9,874,799
Receivables:				
Property taxes	7,569,238	-	2,247,623	9,816,861
Other taxes	4,057	-	-	4,057
Accrued interest	42,429	-	18,865	61,294
Special assessments - current	106,355	-	29,674	136,029
Special assessments - deferred	64,842	-	59,103	123,945
Accounts (net)	40,007	3,722	14,428	58,157
Due from other funds	553,861	-	1,534,575	2,088,436
Due from state government	263,342	190,206	241,702	695,250
Due from federal government	110,675	-	7,534	118,209
Prepaid insurance	208,096	5,525	1,174	214,795
Restricted assets:				
Cash	-	-	4,640	4,640
Investments	-	-	411,781	411,781
Accrued interest	-	-	2,313	2,313
Total assets	<u>\$18,300,890</u>	<u>\$ 1,352,375</u>	<u>\$15,410,518</u>	<u>\$35,063,783</u>
 LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ 441,415	\$ 203,248	\$ 90,097	\$ 734,760
Salaries payable	399,837	25,625	6,318	431,780
Contracts payable	237,081	105,491	203,092	545,664
Accrued vacation payable	732,956	72,927	16,485	822,368
Due to other funds	78,162	794,751	549,848	1,422,761
Due to state government	3,873	-	701	4,574
Due to federal government	15,594	-	137,355	152,949
Unearned revenue	7,563,322	-	2,280,839	9,844,161
Settlement payable	26,639	-	-	26,639
Total liabilities	<u>\$ 9,498,879</u>	<u>\$ 1,202,042</u>	<u>\$ 3,284,735</u>	<u>\$13,985,656</u>
Fund balances:				
Reserved for:				
Prepaid insurance	\$ 208,096	\$ 5,525	\$ 1,174	\$ 214,795
Perpetual care	-	-	418,734	418,734
Debt service	-	-	619,718	619,718
Unreserved:				
General	8,593,915	-	-	8,593,915
Special revenue	-	144,808	6,578,082	6,722,890
Capital project	-	-	3,614,649	3,614,649
Permanent	-	-	893,426	893,426
Total fund balances	<u>\$ 8,802,011</u>	<u>\$ 150,333</u>	<u>\$12,125,783</u>	<u>\$21,078,127</u>
Total liabilities and fund balance	<u>\$18,300,890</u>	<u>\$ 1,352,375</u>	<u>\$15,410,518</u>	<u>\$35,063,783</u>

(continued)

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Fund balances—total governmental funds		\$21,078,127
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		58,142,238
Internal service funds, net assets		901,033
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:		
Bonds payable	\$(11,055,909)	
Equipment purchase contract	(64,829)	
Settlement payable	(4,889)	
Accrued interest	(38,516)	
Bond discount	12,995	
Excess refunding bond costs	<u>61,493</u>	<u>(11,089,655)</u>
Net assets of governmental activities		<u>\$69,031,743</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, 2006

	<u>General</u>	<u>Road Use Tax</u>	<u>Other Governmental</u>	<u>Total</u>
REVENUES:				
Property taxes	\$ 6,733,692	\$ -	\$ 1,707,413	\$ 8,441,105
TIF revenues	-	-	1,324,877	1,324,877
Other taxes	2,766,357	-	1,505,778	4,272,135
Licenses and permits	422,326	-	-	422,326
Intergovernmental	4,615,350	2,454,031	2,507,116	9,576,497
Charges for service	675,874	2,555	308,339	986,768
Fines and forfeitures	195,322	-	-	195,322
Use of money and property	841,250	-	153,137	994,387
Special assessments	44,916	-	30,581	75,497
Miscellaneous	749,247	-	378,544	1,127,791
Refunds	84,121	-	27,800	111,921
Total revenues	<u>\$17,128,455</u>	<u>\$ 2,456,586</u>	<u>\$ 7,943,585</u>	<u>\$27,528,626</u>
EXPENDITURES:				
Current:				
Public safety	\$ 6,686,114	\$ -	\$ 1,218,580	\$ 7,904,694
Public works	910,187	1,908,605	135,743	2,954,535
Health & social services	567,659	-	19,005	586,664
Culture & recreation	2,420,535	-	175,715	2,596,250
Community & economic development	821,202	-	2,796,167	3,617,369
General government	2,149,358	-	95,319	2,244,677
Capital projects	4,636,519	1,583,506	2,514,433	8,734,458
Debt service:				
Principal retirement	-	-	1,396,363	1,396,363
Interest	-	-	490,091	490,091
Contractual	-	-	16,113	16,113
Total expenditures	<u>\$18,191,574</u>	<u>\$ 3,492,111</u>	<u>\$ 8,857,529</u>	<u>\$30,541,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(1,063,119)</u>	<u>\$(1,035,525)</u>	<u>\$ (913,944)</u>	<u>\$(3,012,588)</u>
Other financing sources (uses):				
Issuance of general obligation bonds	\$ 497,000	\$ -	\$ 783,000	\$ 1,280,000
Sale of capital assets	-	-	153,000	153,000
Transfers in	358,940	187,760	1,262,084	1,808,784
Transfers out	(255,224)	-	(1,583,356)	(1,838,580)
Total other financing sources (uses)	<u>\$ 600,716</u>	<u>\$ 187,760</u>	<u>\$ 614,728</u>	<u>\$ 1,403,204</u>
Net change in fund balance	\$ (462,403)	\$ (847,765)	\$ (299,216)	\$ (1,609,384)
Fund balance beginning of year	<u>9,264,414</u>	<u>998,098</u>	<u>12,424,999</u>	<u>22,687,511</u>
Fund balance end of year	<u>\$ 8,802,011</u>	<u>\$ 150,333</u>	<u>\$12,125,783</u>	<u>\$21,078,127</u>

(continued)

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, 2006

Net change in fund balances—total governmental funds \$(1,609,384)

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. (25,789)

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	\$8,304,702	
Depreciation expense	<u>(3,011,324)</u>	5,293,378

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of 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	\$1,396,363	
Equipment purchase contract payable	62,035	
Issuance of debt	(1,280,000)	
Settlement payable	26,657	
Accrued interest	2,410	
Amortization of bond discount	(2,960)	
Amortization of excess refunding bond costs	<u>(32,073)</u>	172,432

Internal service funds net change 107,062

Change in net assets—governmental activities \$3,937,699

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, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Property tax	\$ 6,703,436	\$ 6,703,436	\$ 6,733,692
Other tax	2,587,436	2,587,436	2,766,357
Licenses and permits	602,225	602,225	422,326
Intergovernmental	8,155,287	8,605,282	4,615,350
Charges for service	721,936	721,936	675,874
Fines and forfeitures	-	-	195,322
Use of money and property	526,263	526,263	841,250
Special assessments	-	-	44,916
Miscellaneous	285,082	285,082	749,247
Refunds	-	-	84,121
Total revenues	<u>\$19,581,665</u>	<u>\$20,031,660</u>	<u>\$17,128,455</u>
EXPENDITURES:			
Current:			
Public safety	\$ 6,337,786	\$ 6,712,326	\$ 6,686,114
Public works	943,678	943,678	910,187
Health & social services	573,981	673,857	567,659
Culture & recreation	2,344,479	2,346,479	2,420,535
Community & economic development	838,802	857,511	821,202
General government	2,081,444	2,160,347	2,149,358
Capital projects	8,592,887	8,661,511	4,636,519
Total expenditures	<u>\$21,713,057</u>	<u>\$22,355,709</u>	<u>\$18,191,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(2,131,392)</u>	<u>\$(2,324,049)</u>	<u>\$(1,063,119)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 566,925	\$ 566,925	\$ 497,000
Transfers in	1,069,823	1,069,823	358,940
Transfers out	<u>(260,000)</u>	<u>(260,000)</u>	<u>(255,224)</u>
Total other financing sources (uses)	<u>\$ 1,376,748</u>	<u>\$ 1,376,748</u>	<u>\$ 600,716</u>
Net change in fund balance	\$ (754,644)	\$ (947,301)	\$ (462,403)
Fund balance beginning of year	<u>-</u>	<u>-</u>	<u>9,264,414</u>
Fund balance end of year	<u>\$ (754,644)</u>	<u>\$ (947,301)</u>	<u>\$ 8,802,011</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 30,256
178,921
(179,899)
(3,989,932)
(46,062)
195,322
314,987
44,916
464,165
84,121
\$(2,903,205)

\$ 26,212
33,491
106,198
(74,056)
36,309
10,989
4,024,992
\$ 4,164,135

\$ 1,260,930

\$ (69,925)
(710,883)
4,776

\$ (776,032)

\$ 484,898

9,264,414

\$ 9,749,312

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, 2006

	Original Budget	Amended Budget	Actual
REVENUES:			
Intergovernmental:			
Road use tax allocation	\$ 2,300,000	\$ 2,300,000	\$ 2,454,031
Charges for service	-	-	2,555
Miscellaneous	125,000	125,000	-
Total revenues	\$ 2,425,000	\$ 2,425,000	\$ 2,456,586
EXPENDITURES:			
Current:			
Public works:			
Personal services	\$ 1,041,633	\$ 1,041,633	\$ 949,232
Contractual	635,604	635,604	654,635
Commodities	245,349	245,349	304,738
Other	-	10,550	-
Total public works	\$ 1,922,586	\$ 1,933,136	\$ 1,908,605
Capital projects	\$ 1,825,300	\$ 1,915,300	\$ 1,583,506
Total expenditures	\$ 3,747,886	\$ 3,848,436	\$ 3,492,111
Excess (deficiency) of revenues over (under) expenditures	\$(1,322,886)	\$(1,423,436)	\$(1,035,525)
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 925,226	\$ 925,226	\$ -
Transfers in	187,760	187,760	187,760
Total other financing sources (uses)	\$ 1,112,986	\$ 1,112,986	\$ 187,760
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (209,900)	\$ (310,450)	\$ (847,765)
Fund balance beginning of year	-	-	998,098
Fund balance end of year	\$ (209,900)	\$ (310,450)	\$ 150,333

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 154,031
2,555
(125,000)
\$ 31,586

\$ 92,401
(19,031)
(59,389)
10,550
\$ 24,531

\$ 331,794

\$ 356,325

\$ 387,911

\$ (925,226)
-

\$ (925,226)

\$ (537,315)

998,098

\$ 460,783

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2006

	<u>Waterworks</u>	<u>Sewer Rental</u>
ASSETS:		
Current assets:		
Cash	\$ 1,052,234	\$ 20,847
Investments	-	-
Receivables:		
Property taxes	-	-
Special assessments - current	-	24,325
Special assessments - deferred	-	9,795
Accounts (net)	484,863	243,999
Accrued interest	3,943	-
Inventory	271,437	66,410
Due from other funds	85,301	-
Due from federal government	40,782	-
Prepaid insurance	12,802	13,962
Total current assets	<u>\$ 1,951,362</u>	<u>\$ 379,338</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 962,169	\$ 611,068
Investments	400,000	400,000
Accrued interest	3,300	2,645
Total restricted assets	<u>\$ 1,365,469</u>	<u>\$ 1,013,713</u>
Property, plant and equipment:		
Land	\$ 167,220	\$ 316,209
Buildings	14,708,734	-
Equipment	654,113	713,684
Distribution system	25,646,947	-
Meters	871,912	-
Plant and improvements	-	12,390,744
Sewer lines and lifts	-	11,160,287
Improvements	-	-
Vehicles	370,596	771,831
Construction in progress	297,106	1,375,306
Total	<u>\$42,716,628</u>	<u>\$26,728,061</u>
Less accumulated depreciation	(8,271,368)	(14,315,973)
Net property, plant and equipment	<u>\$34,445,260</u>	<u>\$12,412,088</u>
Total noncurrent assets	<u>\$35,810,729</u>	<u>\$13,425,801</u>
Total assets	<u>\$37,762,091</u>	<u>\$13,805,139</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 891,730	\$ 1,964,811	\$ 717,398
65,050	65,050	489,569
93,682	93,682	778,000
-	24,325	-
-	9,795	-
476,244	1,205,106	-
2,142	6,085	2,253
-	337,847	-
52,778	138,079	15,164
-	40,782	-
2,215	28,979	-
<u>\$ 1,583,841</u>	<u>\$ 3,914,541</u>	<u>\$ 2,002,384</u>
\$ -	\$ 1,573,237	\$ -
-	800,000	-
-	5,945	-
<u>\$ -</u>	<u>\$ 2,379,182</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,823,362	\$ -
1,593,988	16,302,722	-
602,248	1,970,045	71,963
-	25,646,947	-
-	871,912	-
-	12,390,744	-
2,151,305	13,311,592	-
2,978,468	2,978,468	-
1,204,462	2,346,889	93,846
33,871	1,706,283	-
<u>\$12,904,275</u>	<u>\$82,348,964</u>	<u>\$ 165,809</u>
(4,911,065)	(27,498,406)	(102,637)
<u>\$ 7,993,210</u>	<u>\$54,850,558</u>	<u>\$ 63,172</u>
\$ 7,993,210	\$57,229,740	\$ 63,172
<u>\$ 9,577,051</u>	<u>\$61,144,281</u>	<u>\$ 2,065,556</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2006

	<u>Waterworks</u>	<u>Sewer Rental</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 82,300	\$ 33,255
Salaries payable	41,475	36,272
Contracts payable	137,740	295,061
Accrued vacation payable	70,754	70,683
Accrued interest payable	39,883	10,369
Due to other funds	1,576	283,734
Due to state government	18,558	-
Due to customers	46,087	-
General obligation bonds	219,719	103,989
General obligation notes	-	-
Revenue bonds	714,000	355,000
Capital leases	-	-
Prepaid interments	-	-
Unearned revenue	-	9,795
Total current liabilities	<u>\$ 1,372,092</u>	<u>\$ 1,198,158</u>
Long-term debt:		
General obligation bonds	\$ 2,159,889	\$ 1,507,419
General obligation notes	-	-
Revenue bonds	12,872,178	1,620,000
Capital leases	-	-
Unamortized bond discount	(131,463)	-
Total long-term debt	<u>\$14,900,604</u>	<u>\$ 3,127,419</u>
Total liabilities	<u>\$16,272,696</u>	<u>\$ 4,325,577</u>
Net assets:		
Invested in capital assets, net of related debt	\$18,610,937	\$ 8,825,680
Restricted for:		
Bond retirement	1,365,469	1,013,713
Unrestricted	<u>1,512,989</u>	<u>(359,831)</u>
Total net assets	<u>\$21,489,395</u>	<u>\$ 9,479,562</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>
\$ 98,097	\$ 213,652	\$ 939,985
77,202	154,949	5,087
-	432,801	-
99,906	241,343	10,653
2,162	52,414	-
247,313	532,623	286,295
3,201	21,759	-
-	46,087	-
-	323,708	-
39,071	39,071	-
-	1,069,000	-
98,065	98,065	-
35,772	35,772	-
100,153	109,948	789,000
<u>\$ 800,942</u>	<u>\$ 3,371,192</u>	<u>\$ 2,031,020</u>
\$ -	\$ 3,667,308	\$ -
323,525	323,525	-
-	14,492,178	-
207,259	207,259	-
-	(131,463)	-
<u>\$ 530,784</u>	<u>\$18,558,807</u>	<u>\$ -</u>
<u>\$ 1,331,726</u>	<u>\$21,929,999</u>	<u>\$ 2,031,020</u>
\$ 7,325,290	\$34,761,907	\$ 63,172
-	2,379,182	-
<u>920,035</u>	<u>2,073,193</u>	<u>(28,636)</u>
<u>\$ 8,245,325</u>	<u>\$39,214,282</u>	<u>\$ 34,536</u>
	(866,497)	
	<u>\$38,347,785</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Waterworks</u>	<u>Sewer Rental</u>
Operating revenues:		
Charges for service	\$ 4,091,801	\$ 2,345,364
Health insurance contributions	-	-
Total operating revenues	<u>\$ 4,091,801</u>	<u>\$ 2,345,364</u>
Operating expenses:		
Business type activities:		
Personal service	\$ 1,198,791	\$ 963,969
Contractual	856,957	441,725
Commodities	708,250	327,351
Other	73,051	26,693
Depreciation	1,096,927	686,823
Amortization	14,148	-
Total operating expenses	<u>\$ 3,948,124</u>	<u>\$ 2,446,561</u>
Operating income (loss)	<u>\$ 143,677</u>	<u>\$ (101,197)</u>
Nonoperating revenues (expenses):		
Property taxes	\$ -	\$ -
Intergovernmental	-	1,252
Fines and forfeitures	-	-
Use of money and property	106,945	54,261
Special assessments	-	1,471
Miscellaneous	15,370	27,617
Interest	(150,428)	(142,024)
Gain/(loss) on disposal of assets	-	(16,229)
Total nonoperating revenue (expense)	<u>\$ (28,113)</u>	<u>\$ (73,652)</u>
Income (loss) before contributions and transfers	<u>\$ 115,564</u>	<u>\$ (174,849)</u>
Contributions and transfers:		
Transfers in	\$ -	\$ -
Capital contributions	521,882	-
Total contributions and transfers	<u>\$ 521,882</u>	<u>\$ -</u>
Change in net assets	\$ 637,446	\$ (174,849)
Net assets beginning of year	<u>20,851,949</u>	<u>9,654,411</u>
Net assets end of year	<u>\$21,489,395</u>	<u>\$ 9,479,562</u>

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

Change in net assets of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 3,021,104	\$ 9,458,269	\$ 183,805
-	-	1,715,793
<u>\$ 3,021,104</u>	<u>\$ 9,458,269</u>	<u>\$ 1,899,598</u>
\$ 1,878,504	\$ 4,041,264	\$ 2,770,004
559,146	1,857,828	17,316
272,400	1,308,001	18,820
15,590	115,334	-
286,964	2,070,714	11,851
-	14,148	-
<u>\$ 3,012,604</u>	<u>\$ 9,407,289</u>	<u>\$ 2,817,991</u>
<u>\$ 8,500</u>	<u>\$ 50,980</u>	<u>\$ (918,393)</u>
\$ 92,994	\$ 92,994	\$ 724,542
-	1,252	-
22,304	22,304	-
24,662	185,868	34,197
1,147	2,618	-
38,331	81,318	-
(29,923)	(322,375)	-
3,783	(12,446)	-
<u>\$ 153,298</u>	<u>\$ 51,533</u>	<u>\$ 758,739</u>
<u>\$ 161,798</u>	<u>\$ 102,513</u>	<u>\$ (159,654)</u>
\$ 29,796	\$ 29,796	\$ -
-	521,882	-
<u>\$ 29,796</u>	<u>\$ 551,678</u>	<u>\$ -</u>
\$ 191,594	\$ 654,191	\$ (159,654)
<u>8,053,731</u>		<u>194,190</u>
<u>\$ 8,245,325</u>		<u>\$ 34,536</u>
	(266,716)	
	<u>\$ 387,475</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2006

	<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	4,374,370	2,353,395
Cash paid to employees for services	(1,193,730)	(948,182)
Cash paid to other suppliers of goods or services	(2,009,246)	(864,706)
Cash paid for health and life insurance	-	-
Rent received from operating assets	31,074	-
Proceeds from miscellaneous items	15,369	267,176
Net cash provided (used) by operating activities	<u>\$ 1,217,837</u>	<u>\$ 807,683</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	<u>\$ -</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$(1,687,852)	\$(1,381,539)
Proceeds from sale of capital assets	-	-
Principal payments	(808,392)	(430,592)
Interest payments	(491,116)	(143,649)
Proceeds from issuance of bonds	1,404,400	650,000
Capital contributions	481,100	-
Net cash provided (used) for capital and related financing activities	<u>\$(1,101,860)</u>	<u>\$(1,305,780)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 1,800,000	\$ 1,650,000
Purchase of investments	(2,000,000)	(2,000,000)
Interest received	71,175	53,987
Rent received on investment property	-	-
Net cash provided (used) by investing activities	<u>\$ (128,825)</u>	<u>\$ (296,013)</u>
Net increase (decrease) in cash	\$ (12,848)	\$ (794,110)
Cash beginning of year	<u>2,027,251</u>	<u>1,426,025</u>
Cash end of year	<u>\$ 2,014,403</u>	<u>\$ 631,915</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$ 1,714,024
-	-	189,188
2,987,064	9,714,829	-
(1,931,754)	(4,073,666)	(162,615)
(810,996)	(3,684,948)	(19,260)
-	-	(2,477,969)
-	31,074	-
437	282,982	138,451
<u>\$ 244,751</u>	<u>\$ 2,270,271</u>	<u>\$ (618,181)</u>
<u>\$ 92,959</u>	<u>\$ 92,959</u>	<u>\$ 720,543</u>
\$ (211,139)	\$ (3,280,530)	\$ (2,115)
3,783	3,783	-
(131,793)	(1,370,777)	-
(30,339)	(665,104)	-
-	2,054,400	-
-	481,100	-
<u>\$ (369,488)</u>	<u>\$ (2,777,128)</u>	<u>\$ (2,115)</u>
\$ 495,000	\$ 3,945,000	\$ 50,000
(335,000)	(4,335,000)	(325,000)
51,620	176,782	44,191
8,800	8,800	-
<u>\$ 220,420</u>	<u>\$ (204,418)</u>	<u>\$ (230,809)</u>
\$ 188,642	\$ (618,316)	\$ (130,562)
703,088	4,156,364	847,960
<u>\$ 891,730</u>	<u>\$ 3,538,048</u>	<u>\$ 717,398</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2006

	<u>Waterworks</u>	<u>Sewer Rental</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 143,677	\$ (101,197)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	1,111,075	686,823
Rental income	31,074	-
Miscellaneous income	15,372	27,617
Change in assets and liabilities:		
(Increase) decrease in receivables	(5,294)	(12,329)
(Increase) decrease in inventory	(50,637)	(1,292)
(Increase) decrease in due from other funds	2,150	26,149
(Increase) decrease in prepaid insurance	(187)	4,241
Increase (decrease) in accounts and contracts payable	(19,516)	(47,285)
Increase (decrease) in salaries payable	4,934	5,997
Increase (decrease) in accrued compensated absences	127	9,791
Increase (decrease) in due to other funds	(22,177)	210,639
Increase (decrease) in due to state government	482	-
Increase (decrease) in due to customers	6,757	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	(1,471)
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$1,217,837</u>	<u>\$ 807,683</u>

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 8,500	\$ 50,980	\$ (918,393)
286,964	2,084,862	11,851
-	31,074	-
91,584	134,573	-
(97,521)	(115,144)	-
-	(51,929)	-
4,490	32,789	248
(157)	3,897	-
(17,023)	(83,824)	128,896
18,852	29,783	456
7,982	17,900	1,653
(75,377)	113,085	152,204
2,106	2,588	-
-	6,757	-
7,118	7,118	-
<u>7,233</u>	<u>5,762</u>	<u>4,904</u>
 <u>\$ 244,751</u>	 <u>\$2,270,271</u>	 <u>\$ (618,181)</u>

CITY OF MASON CITY, IOWA
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2006

	<u>Firemen's Pension</u>	<u>Agency Fund</u>
ASSETS:		
Cash	\$10,395	\$ 180
Receivables:		
Accrued interest	<u>16</u>	<u>-</u>
Total assets	\$10,411	\$ 180
 LIABILITIES:		
Accounts payable	<u>-</u>	<u>180</u>
 NET ASSETS:		
Held in trust for pension benefits	<u>\$10,411</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, 2006

	<u>Firemen's Pension</u>
ADDITIONS:	
Use of money and property	\$ 391
DEDUCTIONS:	
Public safety:	
Benefits paid	<u>11,432</u>
Change in net assets	\$(11,041)
Net assets beginning of year	<u>21,452</u>
Net assets end of year	<u>\$ 10,411</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(2) Summary of Significant Accounting Policies - continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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, 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. Although the agency fund is fiduciary, it is not involved in the measurement of results of operations, therefore, measurement focus is not applied to it.

Governmental fund financial statements are reported using the current financial resources measurement focus 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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(2) Summary of Significant Accounting Policies - continued

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.

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.

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, 2006

(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.

The pension trust fund accounts for assets held by the City to be used for retirement payments for qualified public safety employees.

The agency fund is to account for the collection of funds and purchase of U.S. Savings Bonds on behalf of City employees.

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, storm sewer, solid waste disposal, 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, 2006

(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 include 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 2a-7 - 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. \$42,268 and \$21,389 of investment income for the years ended June 30, 2006 and 2005, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2006, in proprietary and governmental funds is reported net of allowance in the amounts of \$408,880 and \$345, respectively.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(2) Summary of Significant Accounting Policies - continued

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".

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, 2006, were due by July 1, 2005, with the first half installment being delinquent after September 30, 2005, and the second half installment being delinquent after March 31, 2006. 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 2006 levy certified on March 15, 2006, based on 2005 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2007, 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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(2) Summary of Significant Accounting Policies - continued

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.

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, 2006, \$342,807 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, are 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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(2) Summary of Significant Accounting Policies - continued

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.

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.

**CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

(2) Summary of Significant Accounting Policies - continued

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.

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2006 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 7,644,169	\$ 660,040	\$ 8,304,209	\$ 7,904,694
Public Works	2,915,043	100,550	3,015,593	2,954,535
Health and Social Services	614,275	111,069	725,344	586,664
Culture and Recreation	3,161,056	72,000	3,233,056	2,596,250
Community and Economic Development	3,625,494	896,709	4,522,203	3,617,369
General Government	4,206,102	71,903	4,278,005	2,244,677
Debt Service	2,143,028	-	2,143,028	1,902,567
Capital Projects	16,918,574	-	16,918,574	8,734,458
Business Type	13,627,005	1,615,225	15,242,230	9,742,110
Total	<u>\$54,854,746</u>	<u>\$ 3,527,496</u>	<u>\$58,382,242</u>	<u>\$40,283,324</u>

The fiscal year 2006 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, 2006 unbilled utility receivables for the Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds were included in accounts receivable and totaled approximately \$288,168, \$151,287, \$13,326 and \$61,882, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2006 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.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(3) Cash and Investments - continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council 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 all insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments in the Iowa Public Agency Investment Trust are valued at an amortized cost of \$1,577,246 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, 2006 are as follows:

	<u>Fair Value</u>
U.S. Government securities	\$ 5,153,571
Equity securities	<u>1,212,715</u>
	\$ 6,366,286
Deposits classified as investments:	
Iowa Public Agency Investment Trust	1,577,246
Nonnegotiable certificates of deposit	<u>3,697,667</u>
Total	\$11,641,199
Less: Restricted investments	<u>1,211,781</u>
Total unrestricted investments per balance sheet	<u>\$10,429,418</u>

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.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2006 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$ 553,861	\$ 78,162
Road Use Tax	-	794,751
Nonmajor funds	1,534,575	549,848
Internal Service funds	15,164	286,295
Total governmental	<u>\$2,103,600</u>	<u>\$1,709,056</u>
Business-Type:		
Waterworks	\$ 85,301	\$ 1,576
Sewer Rental	-	283,734
Nonmajor funds	<u>52,778</u>	<u>247,313</u>
Total business-type	<u>\$ 138,079</u>	<u>\$ 532,623</u>
Total due to/from other funds	<u>\$2,241,679</u>	<u>\$2,241,679</u>

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of \$1,641,141. 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, 2006 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General	\$ 358,940	\$ 255,224
Road use tax	187,760	-
Nonmajor funds	1,262,084	1,583,356
Internal service funds	-	-
Total governmental	<u>\$1,808,784</u>	<u>\$1,838,580</u>
Business-Type:		
Waterworks	\$ -	\$ -
Sewer rental	-	-
Nonmajor funds	29,796	-
Total business-type	<u>\$ 29,796</u>	<u>\$ -</u>
Total transfers	<u>\$1,838,580</u>	<u>\$1,838,580</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, 2006

(6) Capital Assets

Capital asset activity for the year ended June 30, 2006 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	\$ 2,478,356	\$ 156,000	\$ -	\$ 2,634,356
Construction in progress	10,293,528	4,157,935	8,182,833	6,268,630
Total capital assets, not being depreciated	<u>\$12,771,884</u>	<u>\$ 4,313,935</u>	<u>\$8,182,833</u>	<u>\$ 8,902,986</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 8,348,213	\$ 317,393	\$ 31,314	\$ 8,634,292
Improvements other than buildings	8,586,180	191,430	17,407	8,760,203
Machinery and equipment	4,006,760	555,964	105,762	4,456,962
Vehicles	6,751,883	418,675	316,455	6,854,103
Infrastructure	42,662,886	10,776,419	-	53,439,305
Total capital assets being depreciated	<u>\$70,355,922</u>	<u>\$12,259,881</u>	<u>\$ 470,938</u>	<u>\$82,144,865</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 5,511,450	\$ 171,142	\$ 9,946	\$ 5,672,646
Improvements other than buildings	3,240,035	419,179	-	3,659,214
Machinery and equipment	2,815,268	353,343	120,008	3,048,603
Vehicles	4,216,007	489,263	315,195	4,390,075
Infrastructure	14,481,655	1,590,248	-	16,071,903
Total accumulated depreciation	<u>\$30,264,415</u>	<u>\$ 3,023,175</u>	<u>\$ 445,149</u>	<u>\$32,842,441</u>
Total capital assets, being depreciated, net	<u>\$40,091,507</u>	<u>\$ 9,236,706</u>	<u>\$ 25,789</u>	<u>\$49,302,424</u>
Governmental activities capital assets, net	<u>\$52,863,391</u>	<u>\$13,550,641</u>	<u>\$8,208,622</u>	<u>\$58,205,410</u>

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

Governmental activities:	
Public safety	\$ 294,106
Public works	2,186,394
Health and social services	13,788
Culture and recreation	364,786
Community and economic development	82,100
General government	70,150
Internal service funds depreciation is charged to various functions based on their usage of assets	11,851
Total depreciation expense—governmental activities	<u>\$3,023,175</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(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	\$ 20,000	\$ -	\$ 4,823,362
Construction in progress	23,260,015	2,931,077	24,484,809	1,706,283
Total capital assets, not being depreciated	<u>\$28,063,377</u>	<u>\$ 2,951,077</u>	<u>\$24,484,809</u>	<u>\$ 6,529,645</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 3,409,104	\$12,893,618	\$ -	\$16,302,722
Improvements other than buildings	2,966,294	16,115	3,941	2,978,468
Machinery and equipment	1,892,429	91,603	13,987	1,970,045
Vehicles	2,263,308	201,041	117,460	2,346,889
Collection and distribution systems	40,478,042	11,767,173	24,020	52,221,195
Total capital assets being depreciated	<u>\$51,009,177</u>	<u>\$24,969,550</u>	<u>\$ 159,408</u>	<u>\$75,819,319</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 1,282,570	\$ 410,963	\$ -	\$ 1,693,533
Improvements other than buildings	2,727,949	22,418	3,941	2,746,426
Machinery and equipment	1,332,783	43,143	7,816	1,418,110
Vehicles	1,132,374	170,725	104,633	1,198,466
Collection and distribution systems	19,092,426	1,373,465	24,020	20,441,871
Total accumulated depreciation	<u>\$25,568,102</u>	<u>\$ 2,070,714</u>	<u>\$ 140,410</u>	<u>\$27,498,406</u>
Total capital assets, being depreciated, net	<u>\$25,441,075</u>	<u>\$22,898,836</u>	<u>\$ 18,998</u>	<u>\$48,320,913</u>
Business-type activities capital assets, net	<u>\$53,504,452</u>	<u>\$25,849,913</u>	<u>\$24,503,807</u>	<u>\$54,850,558</u>

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

Business-type activities:	
Water works	\$1,096,927
Sewer rental	686,823
Other business-type funds	286,964
Total depreciation expense-business-type activities	<u>\$2,070,714</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(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, 2006, 2005 and 2004 was \$427,477, \$416,441, and \$395,938 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, 2006, members contributed 9.35% of regular earnable compensation and the City contributed 28.21% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2006, 2005 and 2004 was \$1,050,872, \$911,089, and \$711,969 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, 2006, there is one individual receiving benefits in the fire plan.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(7) Pension and Retirement Systems - continued

A summary of financial information relating to the plan as of June 30, 2006 is as follows:

	Fire
Cash and investments	\$10,395
Fund equity	10,411
Pensions paid	11,432

(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	
2006	\$ 391	\$ -	\$ 391	\$11,432	
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 basic 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	\$ 100,000	\$ -
2.5% to 3.6% Essential Corporate Purpose bond payable, issued 10/1/04	2,058,984	2,186,016

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(9) Long-Term Debt - continued

	<u>Governmental</u>	<u>Business-Type</u>
7.75% Taxable General Obligation bond payable, issued 9/1/94	\$ 190,000	\$ -
5% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 6/1/03	380,000	-
3.3% General Obligation Capital Loan note payable, issued 8/15/05	500,000	-
4.0% to 5.6% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 4/01/03	1,745,000	-
3.0% to 4.05% Corporate Purpose bond payable, issued 10/01/02	3,380,000	-
4.2% to 4.25% Essential Corporate Purpose bond payable, issued 4/1/01, callable after 6/1/06 at par	195,000	-
4.5% Capital Lease payable, issued 1/21/03	64,829	-
7.7% to 7.8% Taxable General Obligation Capital Loan note issued 6/1/00, callable 6/1/09 at par	450,000	-
2.3% to 4.0% Essential Corporate Purpose bond payable, issued 10/1/03	1,000,000	-
5.0% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 7/3/03	276,925	-
8.0% Settlement note payable, issued 8/19/04	31,528	-
3.0% Sewer Revenue bond payable, issued 12/2/92	-	1,485,000
5.5% Sewer Revenue bond payable, issued 6/1/95	-	490,000
3.0% Water Revenue Capital Loan Note payable, issued 2/26/03, callable 6/01/13 at par	-	13,454,715
3.5% to 3.6% Essential Corporate Purpose bond payable, issued 11/1/05	780,000	1,805,000
4.125% General Obligation Capital loan note payable, issued 5/5/04	-	362,596
3.72% Capital Lease payable, issued 5/26/04	-	305,324
Totals	<u>\$11,152,266</u>	<u>\$20,088,651</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 \$13,007,596 of general obligation bonds outstanding as of June 30, 2006. Unmatured general obligation bonds to be paid by governmental funds totaled \$8,653,984. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$4,353,612.

During the year ended June 30, 2006, the City issued \$2,585,000 of general obligation bonds and \$500,000 of general obligation capital loan notes. 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, 2006**

(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 \$15,429,715 of revenue bonds outstanding as of June 30, 2006. 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 \$1,669,633. The City has reserved \$2,379,182 as of June 30, 2006.

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, 2006, there were \$2,401,925 of tax increment financing bonds outstanding.

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>July 1, 2005</u>	<u>New Issues</u>	<u>Payments</u>	<u>June 30, 2006</u>	<u>Due Within One Year</u>
General obligation:					
Governmental	\$ 8,453,000	\$1,280,000	\$1,079,016	\$ 8,653,984	\$1,141,292
Business-type activities:					
Water	1,340,000	1,155,000	115,392	2,379,608	219,719
Sewer	1,052,000	650,000	90,592	1,611,408	103,989
Ambulance	399,870	-	37,274	362,596	39,071
Revenue:					
Governmental tax increment financing	2,719,272	-	317,347	2,401,925	328,950
Business-type:					
Water	13,884,167	249,400	678,852	13,454,715	714,000
Sewer	<u>2,315,000</u>	<u>-</u>	<u>340,000</u>	<u>1,975,000</u>	<u>355,000</u>
Total	<u>\$30,163,309</u>	<u>\$3,334,400</u>	<u>\$2,658,473</u>	<u>\$30,839,236</u>	<u>\$2,902,021</u>

At June 30, 2006, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation - real property	<u>\$1,349,752,288</u>
Debt limit - 5% of total valuation	\$ 67,487,614
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>15,111,754</u>
Legal debt margin	<u>\$ 52,375,860</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(9) Long-Term Debt - continued

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

June 30,	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$1,141,292	\$ 317,885	\$ 362,779	\$ 147,959	\$1,504,071	\$ 465,844
2008	1,006,142	271,162	374,557	137,137	1,380,699	408,299
2009	943,418	235,917	388,977	125,397	1,332,395	361,314
2010	978,268	201,987	400,894	112,634	1,379,162	314,621
2011	1,050,544	173,178	415,459	99,466	1,466,003	272,644
2012-2016	3,184,320	361,822	2,410,946	237,411	5,595,266	599,233
2017-2021	350,000	21,295	-	-	350,000	21,295
2022-2024	-	-	-	-	-	-
	<u>\$8,653,984</u>	<u>\$1,583,246</u>	<u>\$4,353,612</u>	<u>\$ 860,004</u>	<u>\$13,007,596</u>	<u>\$2,443,250</u>

June 30,	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	171,374	73,401	1,239,000	397,746	1,410,374	471,147
2012-2016	864,104	235,453	4,397,000	1,506,780	5,261,104	1,742,233
2017-2021	370,000	31,180	5,096,000	806,490	5,466,000	837,670
2022-2024	-	-	168,715	102,150	168,715	102,150
	<u>\$2,401,925</u>	<u>\$ 731,436</u>	<u>\$15,429,715</u>	<u>\$4,822,827</u>	<u>\$17,831,640</u>	<u>\$5,554,263</u>

Changes in Other Long-Term Liabilities

Other long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental activities:

	July 1, 2005	New Issues	Payments	June 30, 2006	Due Within One Year
Governmental activities:					
Capital leases	\$126,867	\$ -	\$ 62,038	\$ 64,829	\$ 64,829
Settlement note payable	56,125	-	24,597	31,528	26,639
Business-type activities:					
Capital leases	399,842	-	94,518	305,324	98,065
	<u>\$582,834</u>	<u>\$ -</u>	<u>\$181,153</u>	<u>\$401,681</u>	<u>\$189,533</u>

Industrial Revenue Bonds

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(9) Long-Term Debt - continued

As of June 30, 2006, 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, 2006, the City had not drawn \$1,958,822 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 years. The debt was being used to finance the water distribution radium removal project and is now being used to finance the new water tower.

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, 2006, \$325,000 of bonds outstanding are considered defeased.

(10) Contingent Liabilities

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

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

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

(11) Risk Management

As of July 1, 1993 the City established a self-insured medical plan for City employees and families. The plan is administered by and an administration fee paid to Blue Cross and Blue Shield of Iowa. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$2,632,000 for the year ended June 30, 2006 are covered by commercial insurance.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(11) Risk Management - continued

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, 2006 is \$619,600 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2006 is as follows:

	Beginning of fiscal year liability	Current year claims and changes in estimates	Claim payments	End of fiscal year liability
Current year	\$776,578	\$2,502,292	\$2,361,723	\$917,147
Prior year	550,050	2,018,216	1,791,688	776,578

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 are 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 basic financial statements include individual fund deficits as follows:

Special Revenue Fund:	
Westside TIF	\$226,337
ADDI	12,623
LHAP 2000	6,286
CDBG Housing Rehabilitation	32,124
FMA Voluntary Acquisition	13,171
Capital Project Fund:	
Street Construction	373
Internal Service Fund:	
Central Services	88,857

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

The deficit balance in the voluntary acquisition fund will be eliminated through retention of capital grant proceeds.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(12) Deficit Fund Balances/Net Assets - continued

The Capital Project deficit 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 ended June 30, 2006, the City incurred \$292,626 in construction costs and earned \$131,016 in grant proceeds. The City has found a nonprofit organization, Wright on the Park, to assume the restoration of the hotel. On March 21, 2006, the property was conveyed to the organization by quit claim deed along with \$101,868 remaining in the fund.

(14) Termination Benefits

As of June 30, 2006, the City had 32 terminated employees participating in COBRA health care coverage available from the City. COBRA participants pay 100% of the premium for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

(15) Commitments

At June 30, 2006, the following construction and purchase commitments had been made:

	Total Contracts	Costs Incurred
Sanitary sewer projects	\$ 2,112,853	\$ 1,233,635
Street projects	2,329,596	1,009,407
Water projects	2,496,062	149,498
Airport projects	4,025,054	3,825,182
Public safety projects	755,493	-
Park projects	547,998	401,590
Other	121,810	78,835
Total	\$12,568,866	\$ 6,698,147

(16) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$6,363,903 during the year ended June 30, 2006 of which \$6,111,298 was competitively bid.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(17) Subsequent Events

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

Aquatic Center projects	\$ 10,800
Storm sewer projects	405,998
Sanitary sewer projects	144,950
Street projects	443,475
Fire projects	33,954
Police projects	27,000
	<u>\$1,066,177</u>

The City issued \$190,000 of general obligation notes dated December 1, 2006 payable over a three-year period at 3.89% interest.

The City sold \$2,775,000 of general obligation bonds dated September 1, 2006 payable over a 10-year period at an interest rate of 3.882510%.

The City sold \$1,865,000 of water revenue bonds dated September 1, 2006 payable over a twelve-year period at an interest rate of 4.0%.

The City sold \$1,565,000 of sewer revenue bonds dated September 1, 2006 payable over an eight-year period at an interest rate of 3.9%.

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

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

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. 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.

SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	ESGP	Section 8 Voucher	Section 8 New
ASSETS:			
Cash	\$ 907	\$148,348	\$ 42,994
Investments	-	-	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	-	-
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Accounts	-	-	-
Due from other funds	-	-	-
Due from state government	2,520	-	-
Due from federal government	-	-	-
Prepaid insurance	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	\$ 3,427	\$148,348	\$ 42,994
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ 1,573	\$ 389	\$ -
Salaries payable	-	6,146	-
Contracts payable	-	-	-
Accrued compensated absences	-	13,804	-
Due to other funds	-	-	-
Due to state government	-	-	-
Due to federal government	-	103,569	33,786
Unearned revenue	-	-	-
Total liabilities	\$ 1,573	\$123,908	\$ 33,786
Fund balance:			
Reserved for:			
Prepaid insurance	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	1,854	24,440	9,208
Total fund balance	\$ 1,854	\$ 24,440	\$ 9,208
Total liabilities and fund balance	\$ 3,427	\$148,348	\$ 42,994

(continued)

<u>Community Growth TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Police Retirement</u>
\$113,046	\$ 22,086	\$ 12,891	\$ 47,877
-	-	-	2,920,319
11,824	468	-	414,415
-	-	-	5,666
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$124,870</u>	<u>\$ 22,554</u>	<u>\$ 12,891</u>	<u>\$3,388,277</u>
\$ 3,018	\$ 4,009	\$ 151	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	244,882	-	74,298
-	-	-	-
-	-	-	-
-	-	-	411,435
<u>\$ 3,018</u>	<u>\$ 248,891</u>	<u>\$ 151</u>	<u>\$ 485,733</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
121,852	(226,337)	12,740	2,902,544
<u>\$121,852</u>	<u>\$(226,337)</u>	<u>\$ 12,740</u>	<u>\$2,902,544</u>
<u>\$124,870</u>	<u>\$ 22,554</u>	<u>\$ 12,891</u>	<u>\$3,388,277</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>
ASSETS:			
Cash	\$ 51,985	\$ 93,441	\$224,778
Investments	2,141,513	-	342,347
Receivables:			
Property taxes	347,503	508,451	-
Accrued interest	4,276	-	778
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Accounts	-	-	-
Due from other funds	74,298	-	-
Due from state government	-	-	-
Due from federal government	-	-	-
Prepaid insurance	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$2,619,575</u>	<u>\$601,892</u>	<u>\$567,903</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 221
Salaries payable	-	-	-
Contracts payable	-	-	-
Accrued compensated absences	-	-	-
Due to other funds	-	-	-
Due to state government	-	-	-
Due to federal government	-	-	-
Unearned revenue	344,965	499,282	-
Total liabilities	<u>\$ 344,965</u>	<u>\$499,282</u>	<u>\$ 221</u>
Fund balance:			
Reserved for:			
Prepaid insurance	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	2,274,610	102,610	567,682
Total fund balance	<u>\$2,274,610</u>	<u>\$102,610</u>	<u>\$567,682</u>
Total liabilities and fund balance	<u>\$2,619,575</u>	<u>\$601,892</u>	<u>\$567,903</u>

(continued)

<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>Debt Service</u>
\$152,836	\$ 26,177	\$ 937,366	\$ 595,371
684,982	-	6,089,161	-
-	-	1,282,661	964,962
-	-	10,720	-
-	-	-	29,674
-	-	-	59,103
-	14,428	14,428	-
-	-	74,298	1,356
-	111,356	113,876	-
-	7,534	7,534	-
-	1,174	1,174	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$837,818</u>	<u>\$160,669</u>	<u>\$8,531,218</u>	<u>\$1,650,466</u>
\$ -	\$ 35,855	\$ 45,216	\$ -
-	127	6,273	-
-	-	-	-
-	1,825	15,629	-
-	160,865	480,045	16,652
-	701	701	-
-	-	137,355	-
-	11,061	1,266,743	1,014,096
<u>\$ -</u>	<u>\$210,434</u>	<u>\$1,951,962</u>	<u>\$1,030,748</u>
\$ -	\$ 1,174	\$ 1,174	\$ -
-	-	-	-
-	-	-	619,718
837,818	(50,939)	6,578,082	-
<u>\$837,818</u>	<u>\$(49,765)</u>	<u>\$6,579,256</u>	<u>\$ 619,718</u>
<u>\$837,818</u>	<u>\$160,669</u>	<u>\$8,531,218</u>	<u>\$1,650,466</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	<u>Street Construction</u>	<u>Local Option Capital Improvement</u>	<u>12th Street NW Overpass</u>
ASSETS:			
Cash	\$ 100	\$ 852,041	\$1,422,779
Investments	-	100,000	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	1,866	4,008
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Accounts	-	-	-
Due from other funds	-	977,266	378,010
Due from state government	-	127,826	-
Due from federal government	-	-	-
Prepaid insurance	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$ 100</u>	<u>\$2,058,999</u>	<u>\$1,804,797</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ 100	\$ 44,781	\$ -
Salaries payable	-	-	45
Contracts payable	-	203,092	-
Accrued compensated absences	-	-	856
Due to other funds	373	-	-
Due to state government	-	-	-
Due to federal government	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>\$ 473</u>	<u>\$ 247,873</u>	<u>\$ 901</u>
Fund balance:			
Reserved for:			
Prepaid insurance	\$ -	\$ -	\$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	(373)	1,811,126	1,803,896
Total fund balance	<u>\$ (373)</u>	<u>\$1,811,126</u>	<u>\$1,803,896</u>
Total liabilities and fund balance	<u>\$ 100</u>	<u>\$2,058,999</u>	<u>\$1,804,797</u>

See Accompanying Independent Auditor's Report.

<u>Total Capital Project</u>	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$2,274,920	\$ -	\$229,650	\$ 229,650	\$ 4,037,307
100,000	-	610,638	610,638	6,799,799
-	-	-	-	2,247,623
5,874	-	2,271	2,271	18,865
-	-	-	-	29,674
-	-	-	-	59,103
-	-	-	-	14,428
1,355,276	103,645	-	103,645	1,534,575
127,826	-	-	-	241,702
-	-	-	-	7,534
-	-	-	-	1,174
-	4,640	-	4,640	4,640
-	411,781	-	411,781	411,781
-	2,313	-	2,313	2,313
<u>\$3,863,896</u>	<u>\$522,379</u>	<u>\$842,559</u>	<u>\$1,364,938</u>	<u>\$15,410,518</u>
\$ 44,881	\$ -	\$ -	\$ -	\$ 90,097
45	-	-	-	6,318
203,092	-	-	-	203,092
856	-	-	-	16,485
373	52,778	-	52,778	549,848
-	-	-	-	701
-	-	-	-	137,355
-	-	-	-	2,280,839
<u>\$ 249,247</u>	<u>\$ 52,778</u>	<u>\$ -</u>	<u>\$ 52,778</u>	<u>\$ 3,284,735</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,174
-	418,734	-	418,734	418,734
-	-	-	-	619,718
3,614,649	50,867	842,559	893,426	11,086,157
<u>\$3,614,649</u>	<u>\$469,601</u>	<u>\$842,559</u>	<u>\$1,312,160</u>	<u>\$12,125,783</u>
<u>\$3,863,896</u>	<u>\$522,379</u>	<u>\$842,559</u>	<u>\$1,364,938</u>	<u>\$15,410,518</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, 2006

	<u>ESGP</u>	<u>Section 8 Voucher</u>	<u>Section 8 New</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	66,316	1,508,460	234,691
Charges for service	-	-	-
Use of money and property	-	5,659	-
Special assessments	-	-	-
Miscellaneous	-	10,381	-
Refunds	-	7,760	2,245
Total revenues	<u>\$ 66,316</u>	<u>\$1,532,260</u>	<u>\$ 236,936</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	64,462	1,650,548	276,615
General government	-	-	-
Capital projects	-	1,525	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 64,462</u>	<u>\$1,652,073</u>	<u>\$ 276,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,854</u>	<u>\$ (119,813)</u>	<u>\$ (39,679)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 1,854	\$ (119,813)	\$ (39,679)
Fund balance beginning of year	-	144,253	48,887
Fund balance end of year	<u>\$ 1,854</u>	<u>\$ 24,440</u>	<u>\$ 9,208</u>

(continued)

<u>Community Growth TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Police Retirement</u>
\$ -	\$ -	\$ -	\$ 269,896
1,128,139	196,733	5	-
-	-	-	-
-	-	-	-
-	265,819	-	-
-	1,803	-	(29,224)
-	-	-	-
3,335	-	-	-
-	17,795	-	-
<u>\$1,131,474</u>	<u>\$ 482,150</u>	<u>\$ 5</u>	<u>\$ 240,672</u>
\$ -	\$ -	\$ -	\$ 614,855
-	-	-	-
-	-	-	-
-	-	-	-
3,367	10,000	-	-
-	-	-	-
1,389	6,386	750	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 4,756</u>	<u>\$ 16,386</u>	<u>\$ 750</u>	<u>\$ 614,855</u>
<u>\$1,126,718</u>	<u>\$ 465,764</u>	<u>\$ (745)</u>	<u>\$ (374,183)</u>
\$ 780,000	\$ -	\$ -	\$ -
153,000	-	-	-
-	-	-	-
<u>(840,426)</u>	<u>(87,474)</u>	<u>-</u>	<u>-</u>
<u>\$ 92,574</u>	<u>\$ (87,474)</u>	<u>\$ -</u>	<u>\$ -</u>
\$1,219,292	\$ 378,290	\$ (745)	\$ (374,183)
(1,097,440)	(604,627)	13,485	3,276,727
<u>\$ 121,852</u>	<u>\$ (226,337)</u>	<u>\$ 12,740</u>	<u>\$2,902,544</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, 2006

	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>
REVENUES:			
Property taxes	\$ 229,911	\$ 456,160	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	3,017
Use of money and property	(19,600)	-	(4,667)
Special assessments	-	-	-
Miscellaneous	-	-	34,397
Refunds	-	-	-
Total revenues	<u>\$ 210,311</u>	<u>\$ 456,160</u>	<u>\$ 32,747</u>
EXPENDITURES:			
Current:			
Public safety	\$ 436,017	\$ 167,708	\$ -
Public works	-	35,587	-
Health and social services	-	19,005	-
Culture and recreation	-	87,434	13,984
Community & economic development	-	27,916	-
General government	-	95,319	-
Capital projects	-	-	4,470
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 436,017</u>	<u>\$ 432,969</u>	<u>\$ 18,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (225,706)</u>	<u>\$ 23,191</u>	<u>\$ 14,293</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (225,706)	\$ 23,191	\$ 14,293
Fund balance beginning of year	<u>2,500,316</u>	<u>79,419</u>	<u>553,389</u>
Fund balance end of year	<u>\$2,274,610</u>	<u>\$ 102,610</u>	<u>\$ 567,682</u>

(continued)

<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>Debt Service</u>
\$ -	\$ -	\$ 955,967	\$ 751,446
-	-	1,324,877	-
-	-	-	-
-	697,649	2,507,116	-
-	32,099	300,935	-
59,680	18,629	32,280	40,158
-	-	-	30,581
179,134	40,526	267,773	-
-	-	27,800	-
<u>\$ 238,814</u>	<u>\$ 788,903</u>	<u>\$5,416,748</u>	<u>\$ 822,185</u>
\$ -	\$ -	\$1,218,580	\$ -
-	-	35,587	-
-	-	19,005	-
27,961	39,324	168,703	-
-	763,259	2,796,167	-
-	-	95,319	-
-	278,443	292,963	-
-	-	-	1,396,363
-	-	-	490,091
-	-	-	16,113
<u>\$ 27,961</u>	<u>\$1,081,026</u>	<u>\$4,626,324</u>	<u>\$ 1,902,567</u>
<u>\$ 210,853</u>	<u>\$ (292,123)</u>	<u>\$ 790,424</u>	<u>\$ (1,080,382)</u>
\$ -	\$ -	\$ 780,000	\$ 3,000
-	-	153,000	-
-	-	-	927,900
-	-	(927,900)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,100</u>	<u>\$ 930,900</u>
\$ 210,853	\$ (292,123)	\$ 795,524	\$ (149,482)
626,965	242,358	5,783,732	769,200
<u>\$ 837,818</u>	<u>\$ (49,765)</u>	<u>\$6,579,256</u>	<u>\$ 619,718</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, 2006

	<u>Street Construction</u>	<u>Local Option Capital Improvement</u>	<u>12th Street NW Overpass</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	1,505,778	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Use of money and property	-	56,551	4,008
Special assessments	-	-	-
Miscellaneous	-	50,000	2,551
Refunds	-	-	-
Total revenues	<u>\$ -</u>	<u>\$1,612,329</u>	<u>\$ 6,559</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	373	-	99,783
Health & social services	-	-	-
Culture & recreation	-	7,012	-
Community & economic development	-	-	-
General government	-	-	-
Capital projects	-	1,926,128	295,342
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 373</u>	<u>\$1,933,140</u>	<u>\$ 395,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (373)</u>	<u>\$ (320,811)</u>	<u>\$ (388,566)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-
Operating transfers in	20,224	313,960	-
Operating transfers out	-	(327,556)	(313,960)
Total other financing sources (uses)	<u>\$ 20,224</u>	<u>\$ (13,596)</u>	<u>\$ (313,960)</u>
Net change in fund balances	\$ 19,851	\$ (334,407)	\$ (702,526)
Fund balance beginning of year	<u>(20,224)</u>	<u>2,145,533</u>	<u>2,506,422</u>
Fund balance end of year	<u>\$ (373)</u>	<u>\$1,811,126</u>	<u>\$1,803,896</u>

See Accompanying Independent Auditor's Report.

<u>Total Capital Projects</u>	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,707,413
-	-	-	-	1,324,877
1,505,778	-	-	-	1,505,778
-	-	-	-	2,507,116
-	7,404	-	7,404	308,339
60,559	-	20,140	20,140	153,137
-	-	-	-	30,581
52,551	-	58,220	58,220	378,544
-	-	-	-	27,800
<u>\$ 1,618,888</u>	<u>\$ 7,404</u>	<u>\$ 78,360</u>	<u>\$ 85,764</u>	<u>\$ 7,943,585</u>
\$ -	-	-	-	\$ 1,218,580
100,156	-	-	-	135,743
-	-	-	-	19,005
7,012	-	-	-	175,715
-	-	-	-	2,796,167
-	-	-	-	95,319
2,221,470	-	-	-	2,514,433
-	-	-	-	1,396,363
-	-	-	-	490,091
-	-	-	-	16,113
<u>\$ 2,328,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,857,529</u>
<u>\$ (709,750)</u>	<u>\$ 7,404</u>	<u>\$ 78,360</u>	<u>\$ 85,764</u>	<u>\$ (913,944)</u>
\$ -	\$ -	\$ -	\$ -	\$ 783,000
-	-	-	-	153,000
334,184	-	-	-	1,262,084
<u>(641,516)</u>	<u>-</u>	<u>(13,940)</u>	<u>(13,940)</u>	<u>(1,583,356)</u>
<u>\$ (307,332)</u>	<u>\$ -</u>	<u>\$ (13,940)</u>	<u>\$ (13,940)</u>	<u>\$ 614,728</u>
\$(1,017,082)	\$ 7,404	\$ 64,420	\$ 71,824	\$ (299,216)
<u>4,631,731</u>	<u>462,197</u>	<u>778,139</u>	<u>1,240,336</u>	<u>12,424,999</u>
<u>\$ 3,614,649</u>	<u>\$ 469,601</u>	<u>\$ 842,559</u>	<u>\$1,312,160</u>	<u>\$12,125,783</u>

CITY OF MASON CITY, IOWA
 ESGP SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$ 78,969	\$ 66,316	\$(12,653)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ 3,969	\$ 3,316	\$ 653
Contractual	75,000	61,146	13,854
Total expenditures	<u>\$ 78,969</u>	<u>\$ 64,462</u>	<u>\$ 14,507</u>
Net change in fund balance	\$ -	\$ 1,854	\$ 1,854
Fund balance beginning of year	-	-	-
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 1,854</u></u>	<u><u>\$ 1,854</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
SECTION 8 - VOUCHER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$1,479,322	\$1,508,460	\$ 29,138
Use of money and property	-	5,659	5,659
Miscellaneous	15,405	18,141	2,736
Total revenues	<u>\$1,494,727</u>	<u>\$1,532,260</u>	<u>\$ 37,533</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	\$ 171,039	\$ 172,802	\$ (1,763)
Contractual	32,817	238,181	(205,364)
Commodities	1,427	1,776	(349)
Other	<u>1,288,638</u>	<u>1,237,789</u>	<u>50,849</u>
Total community & economic development program	\$1,493,921	\$1,650,548	\$ (156,627)
Capital projects	318	1,525	(1,207)
Total expenditures	<u>\$1,494,239</u>	<u>\$1,652,073</u>	<u>\$ (157,834)</u>
Net change in fund balance	\$ 488	\$ (119,813)	\$ (120,301)
Fund balance beginning of year	-	<u>144,253</u>	<u>144,253</u>
Fund balance end of year	<u>\$ 488</u>	<u>\$ 24,440</u>	<u>\$ 23,952</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
SECTION 8 - NEW SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$222,910	\$234,691	\$ 11,781
Miscellaneous	-	2,245	2,245
Total revenues	<u>\$222,910</u>	<u>\$236,936</u>	<u>\$ 14,026</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ 13,201	\$ 13,720	\$ (519)
Contractual	2,585	44,994	(42,409)
Other	<u>207,124</u>	<u>217,901</u>	<u>(10,777)</u>
Total community & economic development program	<u>\$222,910</u>	<u>\$276,615</u>	<u>\$(53,705)</u>
Net change in fund balance	\$ -	\$(39,679)	\$(39,679)
Fund balance beginning of year	-	48,887	48,887
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 9,208</u></u>	<u><u>\$ 9,208</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
COMMUNITY GROWTH TIF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$1,061,106	\$1,128,139	\$ 67,033
Miscellaneous	-	3,335	3,335
Total revenues	<u>\$1,061,106</u>	<u>\$1,131,474</u>	<u>\$ 70,368</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$ 10,000	\$ 3,367	\$ 6,633
Commodities	<u>122,000</u>	<u>-</u>	<u>122,000</u>
Total community & economic development	\$ 132,000	\$ 3,367	\$ 128,633
Capital projects	<u>15,000</u>	<u>1,389</u>	<u>13,611</u>
Total expenditures	<u>\$ 147,000</u>	<u>\$ 4,756</u>	<u>\$ 142,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 914,106</u>	<u>\$1,126,718</u>	<u>\$ 212,612</u>
Other financing sources (uses):			
Issuance of bonds	\$ -	\$ 780,000	\$ 780,000
Sale of capital assets	-	153,000	153,000
Transfers out	<u>-</u>	<u>(840,426)</u>	<u>(840,426)</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 92,574</u>	<u>\$ 92,574</u>
Net change in fund balance	\$ 914,106	\$1,219,292	\$ 305,186
Fund balance beginning of year	<u>-</u>	<u>(1,097,440)</u>	<u>(1,097,440)</u>
Fund balance end of year	<u>\$ 914,106</u>	<u>\$ 121,852</u>	<u>\$ (792,254)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 WESTSIDE TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$ 184,663	\$ 196,733	\$ 12,070
Charges for service	-	265,819	265,819
Use of money and property	-	1,803	1,803
Refunds	-	17,795	17,795
Total revenues	<u>\$ 184,663</u>	<u>\$ 482,150</u>	<u>\$ 297,487</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$ 10,000	\$ 10,000	\$ -
Capital projects	-	6,386	(6,386)
Total expenditures	<u>\$ 10,000</u>	<u>\$ 16,386</u>	<u>\$ (6,386)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 174,663	\$ 465,764	\$ 291,101
Other financing uses:			
Transfers out	-	(87,474)	(87,474)
Net change in fund balance	\$ 174,663	\$ 378,290	\$ 203,627
Fund balance beginning of year	-	(604,627)	(604,627)
Fund balance end of year	<u>\$ 174,663</u>	<u>\$(226,337)</u>	<u>\$(401,000)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
FOREST PARK TIF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$ -	\$ 5	\$ 5
EXPENDITURES:			
Capital projects	-	750	750
Net change in fund balance	\$ -	\$ (745)	\$ (745)
Fund balance beginning of year	-	13,485	13,485
Fund balance end of year	<u>\$ -</u>	<u>\$12,740</u>	<u>\$12,740</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
POLICE RETIREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 262,738	\$ 269,896	\$ 7,158
Other taxes	7,262	-	(7,262)
Use of money and property:			
Interest on investments	164,000	(29,224)	(193,224)
Total revenues	<u>\$ 434,000</u>	<u>\$ 240,672</u>	<u>\$ (193,328)</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	\$ 685,000	\$ 614,855	\$ 70,145
Commodities	200	-	200
Total expenditures	<u>\$ 685,200</u>	<u>\$ 614,855</u>	<u>\$ 70,345</u>
Net change in fund balance	\$ (251,200)	\$ (374,183)	\$ (122,983)
Fund balance beginning of year	<u>-</u>	<u>3,276,727</u>	<u>3,276,727</u>
Fund balance end of year	<u>\$ (251,200)</u>	<u>\$2,902,544</u>	<u>\$3,153,744</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 FIRE RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 223,813	\$ 229,911	\$ 6,098
Other taxes	6,187	-	(6,187)
Use of money and property:			
Interest on investments	109,000	(19,600)	(128,600)
Total revenues	<u>\$ 339,000</u>	<u>\$ 210,311</u>	<u>\$ (128,689)</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	\$ 510,000	\$ 436,017	\$ 73,983
Commodities	200	-	200
Total expenditures	<u>\$ 510,200</u>	<u>\$ 436,017</u>	<u>\$ 74,183</u>
Net change in fund balance	\$ (171,200)	\$ (225,706)	\$ (54,506)
Fund balance beginning of year	<u>-</u>	<u>2,500,316</u>	<u>2,500,316</u>
Fund balance end of year	<u>\$ (171,200)</u>	<u>\$2,274,610</u>	<u>\$2,445,810</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 EMPLOYEE RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$443,169	\$456,160	\$ 12,991
EXPENDITURES:			
Current:			
Public safety	\$168,340	\$167,708	\$ 632
Public works	47,779	35,587	12,192
Health & social services	23,026	19,005	4,021
Culture & recreation	86,962	87,434	(472)
Community & economic development	29,653	27,916	1,737
General government	99,658	95,319	4,339
Total expenditures	<u>\$455,418</u>	<u>\$432,969</u>	<u>\$ 22,449</u>
Net change in fund balance	\$(12,249)	\$ 23,191	\$ 35,440
Fund balance beginning of year	<u>-</u>	<u>79,419</u>	<u>79,419</u>
Fund balance end of year	<u>\$(12,249)</u>	<u>\$102,610</u>	<u>\$114,859</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
LIBRARY TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$ 3,000	\$ 3,017	\$ 17
Use of money and property	10,000	(4,667)	(14,667)
Contributions	-	34,397	34,397
Miscellaneous	23,500	-	(23,500)
Total revenues	<u>\$ 36,500</u>	<u>\$ 32,747</u>	<u>\$ (3,753)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 13,500	\$ 5,334	\$ 8,166
Commodities	7,000	8,650	(1,650)
Other	16,000	-	16,000
Total culture & recreation	<u>\$ 36,500</u>	<u>\$ 13,984</u>	<u>\$ 22,516</u>
Capital projects	-	4,470	(4,470)
Total expenditures	<u>\$ 36,500</u>	<u>\$ 18,454</u>	<u>\$ 18,046</u>
Net change in fund balance	\$ -	\$ 14,293	\$ 14,293
Fund balance beginning of year	-	<u>553,389</u>	<u>553,389</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$567,682</u></u>	<u><u>\$567,682</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 CEBA SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Entitlement funds	\$309,099	\$250,000	\$(59,099)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ 3,403	\$ 63	\$ 3,340
Contractual	<u>313,000</u>	<u>250,000</u>	<u>63,000</u>
Total expenditures	<u>\$316,403</u>	<u>\$250,063</u>	<u>\$ 66,340</u>
Net change in fund balance	\$ (7,304)	\$ (63)	\$ 7,241
Fund balance beginning of year	<u>-</u>	<u>63</u>	<u>63</u>
Fund balance end of year	<u>\$ (7,304)</u>	<u>\$ -</u>	<u>\$ 7,304</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 ADDI SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$ 111,340	\$ 32,223	\$ (79,117)
EXPENDITURES:			
Current:			
Community and economic development:			
Personal service	\$ 11,340	\$ 5,538	\$ 5,802
Contractual	234,099	38,926	195,173
Total expenditures	<u>\$ 245,439</u>	<u>\$ 44,464</u>	<u>\$ 200,975</u>
Net change in fund balance	\$(134,099)	\$ (12,241)	\$ 121,858
Fund balance beginning of year	-	(382)	(382)
Fund balance end of year	<u>\$(134,099)</u>	<u>\$(12,623)</u>	<u>\$ 121,476</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
HOUSING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Entitlement funds	\$271,340	\$199,895	\$(71,445)
Miscellaneous	-	25,150	25,150
Total revenues	<u>\$271,340</u>	<u>\$225,045</u>	<u>\$(46,295)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ 11,340	\$ 1,880	\$ 9,460
Commodities	-	125	(125)
Contractual	260,000	229,936	30,064
Total expenditures	<u>\$271,340</u>	<u>\$231,941</u>	<u>\$ 39,399</u>
Net change in fund balance	\$ -	\$ (6,896)	\$ (6,896)
Fund balance beginning of year	-	(25,228)	(25,228)
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$(32,124)</u></u>	<u><u>\$(32,124)</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 HMGP VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$ 82,000	\$ 10,942	\$(71,058)
Miscellaneous	-	7,101	7,101
Total revenues	<u>\$ 82,000</u>	<u>\$ 18,043</u>	<u>\$(63,957)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$ 82,000	\$ 11,578	\$ 70,422
Commodities	-	73	(73)
Total expenditures	<u>\$ 82,000</u>	<u>\$ 11,651</u>	<u>\$ 70,349</u>
Net change in fund balance	\$ -	\$ 6,392	\$ 6,392
Fund balance beginning of year	-	(7,497)	(7,497)
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ (1,105)</u></u>	<u><u>\$ (1,105)</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 FMA VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$106,000	\$ 73,573	\$(32,427)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$106,000	\$ 85,171	\$ 20,829
Commodities	-	1,385	(1,385)
Total expenditures	<u>\$106,000</u>	<u>\$ 86,556</u>	<u>\$ 19,444</u>
Net change in fund balance	\$ -	\$(12,983)	\$(12,983)
Fund balance beginning of year	-	(188)	(188)
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$(13,171)</u></u>	<u><u>\$(13,171)</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 PARK INN HOTEL SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 425,000	\$ 131,016	\$(293,984)
Use of money and property	-	505	505
Contributions	-	6,174	6,174
Total revenues	<u>\$ 425,000</u>	<u>\$ 137,695</u>	<u>\$(287,305)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$ -	\$ 30,438	\$ (30,438)
Commodities	-	6,278	(6,278)
Other	-	101,868	(101,868)
Total community & economic development	\$ -	\$ 138,584	\$(138,584)
Capital projects	<u>425,000</u>	<u>255,910</u>	<u>169,090</u>
Total expenditures	<u>\$ 425,000</u>	<u>\$ 394,494</u>	<u>\$ 30,506</u>
Net change in fund balance	\$ -	\$(256,799)	\$(256,799)
Fund balance beginning of year	<u>-</u>	<u>261,727</u>	<u>261,727</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 4,928</u></u>	<u><u>\$ 4,928</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SOFTBALL IMPROVEMENT TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$ 33,000	\$ 22,150	\$(10,850)
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	\$ -	\$ 1,325	\$ (1,325)
Contractual	1,000	(70)	1,070
Commodities	<u>15,000</u>	<u>17,106</u>	<u>(2,106)</u>
Total culture & recreation	\$ 16,000	\$ 18,361	\$ (2,361)
Capital projects	<u>24,500</u>	<u>4,154</u>	<u>20,346</u>
Total expenditures	\$ 40,500	\$ 22,515	\$ 17,985
Net change in fund balance	\$ (7,500)	\$ (365)	\$ 7,135
Fund balance beginning of year	<u>-</u>	<u>8,752</u>	<u>8,752</u>
Fund balance end of year	<u>\$ (7,500)</u>	<u>\$ 8,387</u>	<u>\$ 15,887</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 YOUTH SOFTBALL COMPLEX TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$ 35,000	\$ 9,949	\$(25,051)
Use of money and property	-	18,124	18,124
Miscellaneous	8,000	-	(8,000)
Total revenues	<u>\$ 43,000</u>	<u>\$ 28,073</u>	<u>\$(14,927)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 3,000	\$ (470)	\$ 3,470
Commodities	22,500	21,433	1,067
Total culture & recreation	<u>\$ 25,500</u>	<u>\$ 20,963</u>	<u>\$ 4,537</u>
Capital projects	37,000	18,379	18,621
Total expenditures	<u>\$ 62,500</u>	<u>\$ 39,342</u>	<u>\$ 23,158</u>
Net change in fund balance	\$(19,500)	\$(11,269)	\$ 8,231
Fund balance beginning of year	-	13,497	13,497
Fund balance end of year	<u>\$(19,500)</u>	<u>\$ 2,228</u>	<u>\$ 21,728</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property tax	\$ 731,276	\$ 751,446	\$ 20,170
Other taxes	19,152	-	(19,152)
Use of money and property	16,000	40,158	24,158
Special assessments	-	30,581	30,581
Total revenues	<u>\$ 766,428</u>	<u>\$ 822,185</u>	<u>\$ 55,757</u>
EXPENDITURES:			
Debt service:			
Principal redemption	\$ 2,135,328	\$ 1,396,363	\$ 738,965
Interest payments	-	490,091	(490,091)
Contractual	7,700	16,113	(8,413)
Total debt service	<u>\$ 2,143,028</u>	<u>\$ 1,902,567</u>	<u>\$ 240,461</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(1,376,600)</u>	<u>\$(1,080,382)</u>	<u>\$ 296,218</u>
Other financing sources:			
Issuance of general obligation bonds	\$ -	\$ 3,000	\$ 3,000
Transfers in	1,296,600	927,900	(368,700)
Total other financing sources	<u>\$ 1,296,600</u>	<u>\$ 930,900</u>	<u>\$ (365,700)</u>
Net change in fund balance	\$ (80,000)	\$ (149,482)	\$ (69,482)
Fund balance beginning of year	<u>-</u>	<u>769,200</u>	<u>769,200</u>
Fund balance end of year	<u>\$ (80,000)</u>	<u>\$ 619,718</u>	<u>\$ 699,718</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 LOCAL OPTION CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Other tax	\$1,200,000	\$1,505,778	\$ 305,778
Use of money and property	-	56,551	56,551
Miscellaneous	200,000	50,000	(150,000)
Total revenues	<u>\$1,400,000</u>	<u>\$1,612,329</u>	<u>\$ 212,329</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ -	\$ 6,790	\$ (6,790)
Commodities	-	222	(222)
Total culture & recreation	<u>\$ -</u>	<u>\$ 7,012</u>	<u>\$ (7,012)</u>
Capital projects	<u>2,179,740</u>	<u>1,926,128</u>	<u>253,612</u>
Total expenditures	<u>\$2,179,740</u>	<u>\$1,933,140</u>	<u>\$ 246,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (779,740)</u>	<u>\$ (320,811)</u>	<u>\$ 458,929</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ 313,960	\$ 313,960
Transfers out	-	(327,556)	(327,556)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (13,596)</u>	<u>\$ (13,596)</u>
Net change in fund balance	\$ (779,740)	\$ (334,407)	\$ 445,333
Fund balance beginning of year	-	2,145,533	2,145,533
Fund balance end of year	<u>\$ (779,740)</u>	<u>\$1,811,126</u>	<u>\$2,590,866</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 12TH STREET NW OVERPASS CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Use of money and property	\$ -	\$ 4,008	\$ 4,008
Miscellaneous	-	2,551	2,551
Total revenues	<u>\$ -</u>	<u>\$ 6,559</u>	<u>\$ 6,559</u>
EXPENDITURES:			
Current:			
Public works:			
Personal services	\$ -	\$ 1,984	\$ (1,984)
Contractual	500,000	95,040	404,960
Commodities	-	2,759	(2,759)
Total public works	<u>\$ 500,000</u>	<u>\$ 99,783</u>	<u>\$ 400,217</u>
Capital projects	4,500,000	295,342	4,204,658
Total expenditures	<u>\$ 5,000,000</u>	<u>\$ 395,125</u>	<u>\$4,604,875</u>
Excess (deficit) of revenues over (under) expenditures	\$(5,000,000)	\$ (388,566)	\$4,611,434
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(313,960)</u>	<u>(313,960)</u>
Net change in fund balance	\$(5,000,000)	\$ (702,526)	\$4,297,474
Fund balance beginning of year	<u>-</u>	<u>2,506,422</u>	<u>2,506,422</u>
Fund balance end of year	<u><u>\$(5,000,000)</u></u>	<u><u>\$1,803,896</u></u>	<u><u>\$6,803,896</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 MACNIDER MUSUEM TRUST PERMANENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Use of money and property	\$ 35,000	\$ 20,140	\$(14,860)
Contributions	-	55,152	55,152
Miscellaneous	<u>100,000</u>	<u>3,068</u>	<u>(96,932)</u>
Total revenues	<u>\$135,000</u>	<u>\$ 78,360</u>	<u>\$(56,640)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Commodities	<u>\$135,000</u>	<u>\$ -</u>	<u>\$135,000</u>
Excess of revenues over expenditures	\$ -	\$ 78,360	\$ 78,360
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(13,940)</u>	<u>(13,940)</u>
Net change in fund balance	\$ -	\$ 64,420	\$ 64,420
Fund balance beginning of year	<u>-</u>	<u>778,139</u>	<u>778,139</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$842,559</u></u>	<u><u>\$842,559</u></u>

See Accompanying Independent Auditor's Report.

PROPRIETARY FUNDS

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

	<u>Cemetery</u>	<u>Storm Sewer</u>
ASSETS:		
Current assets:		
Cash	\$ 92,766	\$ 712,000
Investments	50	-
Receivables:		
Property taxes	93,682	-
Accounts (net)	37,397	23,765
Accrued interest	17	1,745
Due from other funds	52,778	-
Prepaid insurance	485	-
Total current assets	<u>\$ 277,175</u>	<u>\$ 737,510</u>
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	123,232	24,728
Improvements	329,411	-
Vehicles	43,227	-
Storm sewer lines	-	2,151,305
Construction in progress	-	33,871
Less accumulated depreciation	(366,069)	(1,074,269)
Total property, plant and equipment	<u>\$ 177,500</u>	<u>\$1,135,635</u>
Total assets	<u>\$ 454,675</u>	<u>\$1,873,145</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 853	\$ 5,063
Salaries payable	8,302	-
Accrued compensated absences	19,139	-
Accrued interest payable	-	-
Due to other funds	103,747	-
Due to state government	-	-
General obligation notes	-	-
Capital lease	-	-
Prepaid interments	35,772	-
Unearned revenue	92,395	-
Total current liabilities	<u>\$ 260,208</u>	<u>\$ 5,063</u>
Long-term debt:		
General obligation notes	\$ -	\$ -
Capital lease	-	-
Total long-term debt	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ 260,208</u>	<u>\$ 5,063</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 177,500	\$1,135,635
Unrestricted	16,967	732,447
Total net assets	<u>\$ 194,467</u>	<u>\$1,868,082</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>
\$ 24,704	\$ 7,858	\$ -	\$ 54,402	\$ 891,730
65,000	-	-	-	65,050
-	-	-	-	93,682
103,220	2,933	-	308,929	476,244
80	-	-	300	2,142
-	-	-	-	52,778
616	849	-	265	2,215
<u>\$ 193,620</u>	<u>\$ 11,640</u>	<u>\$ -</u>	<u>\$ 363,896</u>	<u>\$1,583,841</u>
\$ -	\$ 196,813	\$4,143,120	\$ -	\$4,339,933
583,706	553,873	-	408,710	1,593,988
19,422	297,155	-	137,711	602,248
-	64,066	2,584,991	-	2,978,468
740,915	23,194	13,000	384,126	1,204,462
-	-	-	-	2,151,305
-	-	-	-	33,871
(458,465)	(394,694)	(2,491,700)	(125,868)	(4,911,065)
<u>\$ 885,578</u>	<u>\$ 740,407</u>	<u>\$4,249,411</u>	<u>\$ 804,679</u>	<u>\$7,993,210</u>
<u>\$1,079,198</u>	<u>\$ 752,047</u>	<u>\$4,249,411</u>	<u>\$1,168,575</u>	<u>\$9,577,051</u>
\$ 23,274	\$ 24,246	\$ 200	\$ 44,461	\$ 98,097
22,236	14,473	1,245	30,946	77,202
32,418	8,198	3,245	36,906	99,906
-	-	-	2,162	2,162
1,223	30,959	100,883	10,501	247,313
-	3,201	-	-	3,201
-	-	-	39,071	39,071
-	-	-	98,065	98,065
-	-	-	-	35,772
-	7,083	675	-	100,153
<u>\$ 79,151</u>	<u>\$ 88,160</u>	<u>\$ 106,248</u>	<u>\$ 262,112</u>	<u>\$ 800,942</u>
\$ -	\$ -	\$ -	\$ 323,525	\$ 323,525
-	-	-	207,259	207,259
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,784</u>	<u>\$ 530,784</u>
<u>\$ 79,151</u>	<u>\$ 88,160</u>	<u>\$ 106,248</u>	<u>\$ 792,896</u>	<u>\$1,331,726</u>
\$ 885,578	\$ 740,407	\$4,249,411	\$ 136,759	\$7,325,290
114,469	(76,520)	(106,248)	238,920	920,035
<u>\$1,000,047</u>	<u>\$ 663,887</u>	<u>\$4,143,163</u>	<u>\$ 375,679</u>	<u>\$8,245,325</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Cemetery</u>	<u>Storm Sewer</u>
Operating revenues:		
Charges for service	\$ 78,816	\$ 188,914
Operating expenses:		
Business type activities:		
Personal service	\$ 208,728	\$ 29,620
Contractual	11,800	3,094
Commodities	6,510	12,939
Other	97	3,638
Depreciation	18,476	76,656
Total operating expenses	<u>\$ 245,611</u>	<u>\$ 125,947</u>
Operating income (loss)	<u>\$ (166,795)</u>	<u>\$ 62,967</u>
Nonoperating revenues (expenses):		
Property taxes	\$ 92,994	\$ -
Fines and forfeitures	-	-
Use of money and property	(13,440)	24,300
Special assessments	-	-
Miscellaneous	33,731	809
Interest	-	-
Gain (loss) on sale of capital assets	-	-
Total nonoperating revenue (expenses)	<u>\$ 113,285</u>	<u>\$ 25,109</u>
Income (loss) before contributions and transfers	<u>\$ (53,510)</u>	<u>\$ 88,076</u>
Contributions and transfers:		
Transfers in	<u>\$ 10,000</u>	<u>\$ -</u>
Change in net assets	\$ (43,510)	\$ 88,076
Net assets beginning of year	<u>237,977</u>	<u>1,780,006</u>
Net assets end of year	<u>\$ 194,467</u>	<u>\$1,868,082</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>
\$ 979,284	\$ 307,984	\$ 28,323	\$1,437,783	\$3,021,104
\$ 616,773	\$ 227,700	\$ 39,159	\$ 756,524	\$1,878,504
295,502	24,485	56,535	167,730	559,146
54,615	101,856	543	95,937	272,400
169	10,141	-	1,545	15,590
76,811	35,916	14,434	64,671	286,964
<u>\$1,043,870</u>	<u>\$ 400,098</u>	<u>\$ 110,671</u>	<u>\$1,086,407</u>	<u>\$3,012,604</u>
\$ (64,586)	\$ (92,114)	\$ (82,348)	\$ 351,376	\$ 8,500
\$ -	\$ -	\$ -	\$ -	\$ 92,994
-	-	22,304	-	22,304
3,862	8,946	-	994	24,662
1,147	-	-	-	1,147
874	2,917	-	-	38,331
-	-	-	(29,923)	(29,923)
-	3,783	-	-	3,783
<u>\$ 5,883</u>	<u>\$ 15,646</u>	<u>\$ 22,304</u>	<u>\$ (28,929)</u>	<u>\$ 153,298</u>
\$ (58,703)	\$ (76,468)	\$ (60,044)	\$ 322,447	\$ 161,798
\$ -	\$ 19,796	\$ -	\$ -	\$ 29,796
\$ (58,703)	\$ (56,672)	\$ (60,044)	\$ 322,447	\$ 191,594
<u>1,058,750</u>	<u>720,559</u>	<u>4,203,207</u>	<u>53,232</u>	<u>8,053,731</u>
<u>\$1,000,047</u>	<u>\$ 663,887</u>	<u>\$4,143,163</u>	<u>\$ 375,679</u>	<u>\$8,245,325</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 79,837	\$ 188,001
Cash paid to employees for services	(205,981)	(29,620)
Cash paid to other suppliers of goods or services	(33,917)	(17,686)
Proceeds from miscellaneous items	<u>43,731</u>	<u>(25,339)</u>
Net cash provided (used) by operating activities	<u>\$ (116,330)</u>	<u>\$ 115,356</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	<u>\$ 92,959</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (6,546)	\$ (33,872)
Proceeds from sale of capital assets	-	-
Principal payments	-	-
Interest payments	<u>-</u>	<u>-</u>
Net cash provided (used) for capital and related financing activities	<u>\$ (6,546)</u>	<u>\$ (33,872)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ 350,000
Purchase of investments	-	(250,000)
Interest received	23,639	22,946
Rent received	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ 23,639</u>	<u>\$ 122,946</u>
Net increase (decrease) in cash	\$ (6,278)	\$ 204,430
Cash beginning of year	<u>99,044</u>	<u>507,570</u>
Cash end of year	<u>\$ 92,766</u>	<u>\$ 712,000</u>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 969,742	\$ 364,201	\$ 28,472	\$1,356,811	\$2,987,064
(692,125)	(223,317)	(38,515)	(742,196)	(1,931,754)
(275,169)	(165,491)	(59,868)	(258,865)	(810,996)
<u>(12,073)</u>	<u>43,507</u>	<u>69,911</u>	<u>(119,300)</u>	<u>437</u>
<u>\$ (9,625)</u>	<u>\$ 18,900</u>	<u>\$ -</u>	<u>\$ 236,450</u>	<u>\$ 244,751</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,959</u>
\$ (75,899)	\$ (74,086)	\$ -	\$ (20,736)	\$ (211,139)
-	3,783	-	-	3,783
-	-	-	(131,793)	(131,793)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,339)</u>	<u>(30,339)</u>
<u>\$ (75,899)</u>	<u>\$ (70,303)</u>	<u>\$ -</u>	<u>\$ (182,868)</u>	<u>\$ (369,488)</u>
\$ 140,000	\$ 5,000	\$ -	\$ -	\$ 495,000
(80,000)	(5,000)	-	-	(335,000)
3,882	461	-	692	51,620
<u>-</u>	<u>8,800</u>	<u>-</u>	<u>-</u>	<u>8,800</u>
<u>\$ 63,882</u>	<u>\$ 9,261</u>	<u>\$ -</u>	<u>\$ 692</u>	<u>\$ 220,420</u>
\$ (21,642)	\$ (42,142)	\$ -	\$ 54,274	\$ 188,642
<u>46,346</u>	<u>50,000</u>	<u>-</u>	<u>128</u>	<u>703,088</u>
<u><u>\$ 24,704</u></u>	<u><u>\$ 7,858</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 54,402</u></u>	<u><u>\$ 891,730</u></u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

	<u>Cemetery</u>	<u>Storm Sewer</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$(166,795)	\$ 62,967
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	18,476	76,656
Miscellaneous income	43,731	809
Change in assets and liabilities:		
(Increase) decrease in receivables	(6,096)	(912)
(Increase) decrease in due from other funds	-	-
(Increase) decrease in prepaid insurance	(145)	-
Increase (decrease) in accounts and contracts payable	(15,364)	1,985
Increase (decrease) in salaries payable	1,240	-
Increase (decrease) in accrued compensated absences	1,507	-
Increase (decrease) in due to other funds	(2)	(26,149)
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	7,118	-
Increase (decrease) in unearned revenue	-	-
	<hr/>	<hr/>
Net cash provided (used) by operating activities	<u>\$(116,330)</u>	<u>\$ 115,356</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>
\$ (64,586)	\$ (92,114)	\$ (82,348)	\$351,376	\$ 8,500
76,811	35,916	14,434	64,671	286,964
2,021	22,719	22,304	-	91,584
(9,541)	-	-	(80,972)	(97,522)
3,990	-	500	-	4,490
(150)	(48)	-	186	(157)
(22,824)	15,684	(2,703)	6,199	(17,023)
3,632	4,782	150	9,048	18,852
1,101	(398)	492	5,280	7,982
(79)	23,170	47,021	(119,338)	(75,377)
-	2,106	-	-	2,106
-	-	-	-	7,118
-	7,083	150	-	7,233
<u>\$ (9,625)</u>	<u>\$ 18,900</u>	<u>\$ -</u>	<u>\$236,450</u>	<u>\$244,751</u>

INTERNAL SERVICE FUNDS

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ 63	\$ 717,335	\$ 717,398
Investments	-	489,569	489,569
Receivables:			
Property taxes	-	778,000	778,000
Accrued interest	-	2,253	2,253
Due from other funds	15,164	-	15,164
Total current assets	<u>\$ 15,227</u>	<u>\$1,987,157</u>	<u>\$2,002,384</u>
Property, plant and equipment:			
Equipment	\$ 71,963	\$ -	\$ 71,963
Vehicles	93,846	-	93,846
Total property, plant and equipment	\$165,809	\$ -	\$ 165,809
Less accumulated depreciation	<u>(102,637)</u>	<u>-</u>	<u>(102,637)</u>
Net property, plant and equipment	<u>\$ 63,172</u>	<u>\$ -</u>	<u>\$ 63,172</u>
Total assets	<u>\$ 78,399</u>	<u>\$1,987,157</u>	<u>\$2,065,556</u>
LIABILITIES:			
Accounts payable	\$ 3,672	\$ 936,313	\$ 939,985
Salaries payable	5,087	-	5,087
Accrued compensated absences	10,653	-	10,653
Due to other funds	147,844	138,451	286,295
Unearned revenue	-	789,000	789,000
Total liabilities	<u>\$167,256</u>	<u>\$1,863,764</u>	<u>\$2,031,020</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 63,172	\$ -	\$ 63,172
Unrestricted	<u>(152,029)</u>	<u>123,393</u>	<u>(28,636)</u>
Total net assets	<u><u>\$(88,857)</u></u>	<u><u>\$ 123,393</u></u>	<u><u>\$ 34,536</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, 2006

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$ 183,805	\$ -	\$ 183,805
Health insurance contributions	-	1,715,793	1,715,793
Total operating revenues	<u>\$ 183,805</u>	<u>\$1,715,793</u>	<u>\$1,899,598</u>
Operating expenses:			
Business type activities:			
Personal services	\$ 164,715	\$2,605,289	\$2,770,004
Contractual	17,316	-	17,316
Commodities	18,820	-	18,820
Depreciation	11,851	-	11,851
Total operating expenses	<u>\$ 212,702</u>	<u>\$2,605,289</u>	<u>\$2,817,991</u>
Operating income (loss)	<u>\$ (28,897)</u>	<u>\$ (889,496)</u>	<u>\$ (918,393)</u>
Nonoperating revenues (expenses):			
Property taxes	\$ -	\$ 724,542	\$ 724,542
Use of money and property	-	34,197	34,197
Total nonoperating revenues	<u>\$ -</u>	<u>\$ 758,739</u>	<u>\$ 758,739</u>
Change in net assets	\$ (28,897)	\$ (130,757)	\$ (159,654)
Net assets beginning of year	<u>(59,960)</u>	<u>254,150</u>	<u>194,190</u>
Net assets end of year	<u>\$ (88,857)</u>	<u>\$ 123,393</u>	<u>\$ 34,536</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$184,053	\$1,529,971	\$1,714,024
Cash received from employees and others	-	189,188	189,188
Cash paid to employees for services	(162,615)	-	(162,615)
Cash paid to suppliers	(19,260)	-	(19,260)
Cash paid for health and life insurance	-	(2,477,969)	(2,477,969)
Proceeds from miscellaneous items	-	138,451	138,451
Net cash provided (used) by operating activities	<u>\$ 2,178</u>	<u>\$ (620,359)</u>	<u>\$ (618,181)</u>
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	<u>\$ -</u>	<u>\$ 720,543</u>	<u>\$ 720,543</u>
Cash flows from capital and related financing activities:			
Net acquisition of capital assets	<u>\$ (2,115)</u>	<u>\$ -</u>	<u>\$ (2,115)</u>
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$ 50,000	\$ 50,000
Purchase of investments	-	(325,000)	(325,000)
Interest received	-	44,191	44,191
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ (230,809)</u>	<u>\$ (230,809)</u>
Net decrease in cash	<u>\$ 63</u>	<u>\$ (130,625)</u>	<u>\$ (130,562)</u>
Cash beginning of year	<u>-</u>	<u>847,960</u>	<u>847,960</u>
Cash end of year	<u>\$ 63</u>	<u>\$ 717,335</u>	<u>\$ 717,398</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$(28,897)	\$ (889,496)	\$ (918,393)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	11,851	-	11,851
Change in assets and liabilities:			
(Increase) decrease in due from other funds	248	-	248
Increase (decrease) in accounts payable	3,114	125,782	128,896
Increase (decrease) in salaries payable	456	-	456
Increase (decrease) in compensated absences	1,653	-	1,653
Increase (decrease) in unearned revenues	-	4,904	4,904
Increase (decrease) in due to other funds	13,753	138,451	152,204
Net cash provided (used) by operating activities	<u>\$ 2,178</u>	<u>\$ (620,359)</u>	<u>\$ (618,181)</u>

See Accompanying Independent Auditor's Report.

AGENCY FUND

CITY OF MASON CITY, IOWA
 U.S. SAVINGS BOND AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
ASSETS:				
Cash	<u>\$ 600</u>	<u>\$17,480</u>	<u>\$17,900</u>	<u>\$ 180</u>
 LIABILITIES:				
Due to purchase bonds	<u>\$ 600</u>	<u>\$17,480</u>	<u>\$17,900</u>	<u>\$ 180</u>

See Accompanying Independent Auditor's Report.

CAPITAL ASSETS USED

IN

OPERATIONS

CITY OF MASON CITY, IOWA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 JUNE 30, 2006

General capital assets:	
Land	\$ 2,634,356
Buildings and structures	8,634,293
Improvements other than buildings	8,760,203
Machinery and equipment	4,384,999
Vehicles	6,760,257
Infrastructure	53,439,305
Construction in progress	<u>6,268,630</u>
Total general capital assets	<u>\$90,882,043</u>
 Investment in general capital assets by source:	
General fund	<u>\$90,882,043</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, 2006

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police department	\$ 3,102,725	\$ 115,000
Fire department	2,990,783	75,150
Civil defense	155,555	-
Building	46,998	-
Inspectors	39,582	-
Total public safety	<u>\$ 6,335,643</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$13,721,242	\$1,725,891
Street department	3,267,417	31,363
Infrastructure	53,974,569	-
City arborist	144,213	-
Engineer	214,207	-
Total public works	<u>\$71,321,648</u>	<u>\$1,757,254</u>
Health and Social Services:		
Youth Task Force	\$ 17,604	\$ -
Health department	31,591	-
Human rights	46,286	-
Total health and social services	<u>\$ 95,481</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 4,561,745	\$ 673,452
Swimming pool	3,143,361	-
Recreation	185,392	-
Library	1,631,584	13,500
Museum	1,178,382	-
Band	2,713	-
Total culture and recreation	<u>\$10,703,177</u>	<u>\$ 686,952</u>
Community and Economic Development:		
Housing	\$ 23,785	\$ -
Community development	55,560	-
Transit system	1,046,300	-
Total community and economic development	<u>\$ 1,125,645</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 5,252	\$ -
Council/Coffee room	31,267	-
City administrator	25,126	-
Finance department	67,079	-
City clerk	17,730	-
City hall	1,145,026	-
Safety director	8,969	-
Total general government	<u>\$ 1,300,449</u>	<u>\$ -</u>
Total general capital assets	<u>\$90,882,043</u>	<u>\$2,634,356</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	\$ -	\$ 867,309	\$ 565,124	\$ -	\$ -
911,166	28,823	415,209	1,560,435	-	-
-	-	6,651	-	-	148,904
-	-	30,945	16,053	-	-
-	-	10,559	29,023	-	-
<u>\$2,466,458</u>	<u>\$ 28,823</u>	<u>\$1,330,673</u>	<u>\$2,170,635</u>	<u>\$ -</u>	<u>\$ 148,904</u>
\$1,847,755	\$3,262,048	\$ 398,172	\$1,310,177	\$ -	\$5,177,199
874,904	-	265,945	2,095,205	-	-
-	-	-	-	53,439,305	535,264
-	-	7,883	136,330	-	-
-	-	134,439	79,768	-	-
<u>\$2,722,659</u>	<u>\$3,262,048</u>	<u>\$ 806,439</u>	<u>\$3,621,480</u>	<u>\$53,439,305</u>	<u>\$5,712,463</u>
\$ -	\$ -	\$ 17,604	\$ -	\$ -	\$ -
-	-	13,258	18,333	-	-
-	-	46,286	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,148</u>	<u>\$ 18,333</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 239,098	\$2,127,426	\$ 922,103	\$ 192,403	\$ -	\$ 407,263
-	3,080,480	62,881	-	-	-
-	22,190	104,411	58,791	-	-
960,591	237,696	419,797	-	-	-
1,049,971	-	128,411	-	-	-
-	-	2,713	-	-	-
<u>\$2,249,660</u>	<u>\$5,467,792</u>	<u>\$1,640,316</u>	<u>\$ 251,194</u>	<u>\$ -</u>	<u>\$ 407,263</u>
\$ -	\$ -	\$ 23,785	\$ -	\$ -	\$ -
-	-	36,295	19,265	-	-
337,711	-	29,239	679,350	-	-
<u>\$ 337,711</u>	<u>\$ -</u>	<u>\$ 89,319</u>	<u>\$ 698,615</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 5,252	\$ -	\$ -	\$ -
-	-	31,267	-	-	-
-	-	25,126	-	-	-
-	-	67,079	-	-	-
-	-	17,730	-	-	-
857,805	1,540	285,681	-	-	-
-	-	8,969	-	-	-
<u>\$ 857,805</u>	<u>\$ 1,540</u>	<u>\$ 441,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$8,634,293</u>	<u>\$8,760,203</u>	<u>\$4,384,999</u>	<u>\$6,760,257</u>	<u>\$53,439,305</u>	<u>\$6,268,630</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, 2006

<u>Function and Activity</u>	<u>Balance June 30, 2005</u>
Public Safety:	
Police department	\$ 3,022,919
Fire department	2,805,174
Civil defense	6,651
Building	50,719
Inspectors	41,854
Total public safety	<u>\$ 5,927,317</u>
Public Works:	
Airport	\$ 8,382,732
Street department	3,104,551
Infrastructure	42,662,886
City arborist	144,213
Engineer	207,134
Total public works	<u>\$54,501,516</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>
Culture and Recreation:	
Parks	\$ 3,807,004
Swimming pool	3,132,442
Recreation	193,195
Library	1,600,232
Museum	1,165,830
Band	2,713
Total culture and recreation	<u>\$ 9,901,416</u>
Community and Economic Development:	
Housing	\$ 23,785
Community development	71,591
Transit system	891,925
Total community and economic development	<u>\$ 987,301</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>
Construction in progress	<u>\$10,293,528</u>
Total general capital assets	<u>\$82,964,112</u>

See Accompanying Independent Auditor's Report.

<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
\$ 79,806	\$ -	\$ 3,102,725
202,764	17,155	2,990,783
-	-	6,651
-	3,721	46,998
-	2,272	39,582
<u>\$ 282,570</u>	<u>\$ 23,148</u>	<u>\$ 6,186,739</u>
\$ 212,466	\$ 51,155	\$ 8,544,043
234,660	71,794	3,267,417
10,776,419	-	53,439,305
-	-	144,213
18,414	11,341	214,207
<u>\$11,241,959</u>	<u>\$ 134,290</u>	<u>\$65,609,185</u>
\$ 1,924	\$ 5,700	\$ 17,604
-	-	31,591
5,011	9,793	46,286
<u>\$ 6,935</u>	<u>\$ 15,493</u>	<u>\$ 95,481</u>
\$ 382,440	\$ 34,962	\$ 4,154,482
10,919	-	3,143,361
8,694	16,497	185,392
40,936	9,584	1,631,584
12,552	-	1,178,382
-	-	2,713
<u>\$ 455,541</u>	<u>\$ 61,043</u>	<u>\$10,295,914</u>
\$ -	\$ -	\$ 23,785
1,662	17,693	55,560
373,135	218,760	1,046,300
<u>\$ 374,797</u>	<u>\$ 236,453</u>	<u>\$ 1,125,645</u>
\$ 1,116	\$ -	\$ 5,252
-	-	31,267
1,116	511	25,126
-	-	67,079
-	-	17,730
49,733	-	1,145,026
-	-	8,969
<u>\$ 51,965</u>	<u>\$ 511</u>	<u>\$ 1,300,449</u>
\$ 4,157,935	\$ 8,182,833	\$ 6,268,630
<u>\$16,571,702</u>	<u>\$ 8,653,771</u>	<u>\$90,882,043</u>

STATISTICAL SECTION

**CITY OF MASON CITY, IOWA
STATISTICAL SECTION**

This part of the City of Mason City's comprehensive annual report presents detailed statistical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	111-120
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	121-129
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	130-137
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	138-142
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	143-146

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF MASON CITY, IOWA
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS
(accrual basis of accounting)

	<u>2006</u>	<u>2005</u>
Governmental activities:		
Invested in capital assets, net of related debt	\$ 47,154,271	\$ 41,643,488
Restricted for:		
Bond retirement	619,718	769,200
Perpetual care	418,734	448,409
Unrestricted	20,839,020	22,232,947
Total governmental activities net assets	<u>\$ 69,031,743</u>	<u>\$ 65,094,044</u>
Business-type activities:		
Invested in capital assets, net of related debt	\$ 34,761,907	\$ 34,113,573
Restricted for:		
Bond retirement	2,379,182	1,920,304
Capital projects	-	-
Unrestricted	1,206,696	1,926,433
Total business-type activities net assets	<u>\$ 38,347,785</u>	<u>\$ 37,960,310</u>
Primary government:		
Invested in capital assets, net of related debt	\$ 81,916,178	\$ 75,757,061
Restricted for:		
Bond retirement	2,998,900	2,689,504
Capital projects	-	-
Perpetual care	418,734	448,409
Unrestricted	22,045,716	24,159,380
Total primary government net assets	<u>\$107,379,528</u>	<u>\$103,054,354</u>

See Accompanying Independent Auditor's Report.

<u>2004</u>	<u>2003</u>
\$ 33,654,513	\$25,910,449
1,221,315	2,313,361
414,424	440,142
21,906,460	27,179,952
<u>\$ 57,196,712</u>	<u>\$ 55,843,904</u>
\$ 34,673,507	\$ 29,846,554
1,695,224	1,587,958
435,680	-
(1,240,259)	626,337
<u>\$ 35,564,152</u>	<u>\$ 32,060,849</u>
\$ 68,328,020	\$ 55,757,003
2,916,539	3,901,319
435,680	-
414,424	440,142
20,666,201	27,806,289
<u>\$ 92,760,864</u>	<u>\$ 87,904,753</u>

CITY OF MASON CITY, IOWA
CHANGE IN NET ASSETS
LAST FOUR FISCAL YEARS
(accrual basis of accounting)

	<u>2006</u>	<u>2005</u>
Expenses:		
Governmental activities:		
Public safety	\$ 8,550,232	\$ 7,926,815
Public works	5,510,270	4,320,043
Health and social services	614,429	661,340
Culture and recreation	3,029,345	2,852,682
Community and economic development	3,610,475	2,886,020
General government	2,366,733	2,215,481
Interest on long-term debt	509,503	521,935
Total governmental activities expenses	<u>\$ 24,190,987</u>	<u>\$ 21,384,316</u>
Business-type activities:		
Cemetery	\$ 258,434	\$ 243,474
Water	4,193,851	3,165,550
Sewer	2,670,534	2,519,795
Parking lots	114,494	96,321
Storm sewer	125,947	122,333
Solid waste	1,090,911	1,020,631
Golf course	404,347	326,498
Ambulance	1,150,308	907,072
Total business-type activities expenses	<u>\$ 10,008,826</u>	<u>\$ 8,401,674</u>
Total primary government expenses	<u>\$ 34,199,813</u>	<u>\$ 29,785,990</u>
Program Revenues:		
Governmental activities:		
Charges for services	\$ 1,679,915	\$ 1,787,233
Operating grants and contributions	3,382,410	3,200,201
Capital grants and contributions	4,771,256	7,357,615
Total governmental activities program revenues	<u>\$ 9,833,581</u>	<u>\$ 12,345,049</u>
Business-type activities:		
Charges for services:		
Water	\$ 4,091,801	\$ 3,996,205
Sewer	2,347,982	2,275,044
Other activities	3,043,408	2,630,558
Capital grants and contributions	523,134	1,236,866
Total business-type activities program revenues	<u>\$ 10,006,325</u>	<u>\$ 10,138,673</u>
Total primary government program revenues	<u>\$ 19,839,906</u>	<u>\$ 22,483,722</u>
Net (Expense) Revenues:		
Governmental activities	\$(14,357,406)	\$ (9,039,267)
Business-type activities	(2,501)	1,736,999
Total primary government net (expense)/ revenues	<u>\$(14,359,907)</u>	<u>\$ (7,302,268)</u>

(continued)

<u>2004</u>	<u>2003</u>
\$ 7,651,154	\$ 6,906,490
5,408,728	5,478,863
556,758	484,978
2,739,284	2,298,424
3,885,016	4,005,048
2,013,286	2,176,336
589,257	544,542
<u>\$ 22,843,483</u>	<u>\$ 21,894,681</u>
\$ 242,607	\$ 236,838
2,755,310	2,461,202
2,375,568	2,518,571
93,865	86,350
108,823	116,243
980,181	980,430
333,049	312,588
213,640	-
<u>\$ 7,103,043</u>	<u>\$ 6,712,222</u>
<u>\$ 29,946,526</u>	<u>\$ 28,606,903</u>
\$ 1,707,961	\$ 1,848,199
2,982,349	2,343,486
<u>1,404,793</u>	<u>1,632,310</u>
<u>\$ 6,095,103</u>	<u>\$ 5,823,995</u>
\$ 3,542,206	\$ 2,991,747
2,028,147	2,125,686
1,621,988	1,582,947
<u>3,289,676</u>	<u>1,667,106</u>
<u>\$ 10,482,017</u>	<u>\$ 8,367,486</u>
<u>\$ 16,577,120</u>	<u>\$ 14,191,481</u>
\$(16,748,380)	\$(16,070,686)
<u>3,378,974</u>	<u>1,655,264</u>
<u>\$(13,369,406)</u>	<u>\$(14,415,422)</u>

CITY OF MASON CITY, IOWA
CHANGE IN NET ASSETS
LAST FOUR FISCAL YEARS
(accrual basis of accounting)

	<u>2006</u>	<u>2005</u>
General Revenues and Other Changes in Net Assets:		
Governmental activities:		
General revenues:		
Property taxes	\$10,490,524	\$ 9,449,162
Other taxes	4,112,909	3,628,930
Franchise taxes	-	12,883
Road use tax	2,442,817	2,422,050
Unrestricted state utility tax replacement	159,226	161,992
Grants and contributions not restricted to specific program	80,804	17,401
Unrestricted investment income	1,028,584	1,340,758
Gain (loss) on sale of capital assets	-	-
Miscellaneous	10,037	259,635
Transfers	(29,796)	(356,212)
Total governmental activities	<u>\$18,295,105</u>	<u>\$16,936,599</u>
Business-type activities:		
General revenues:		
Property taxes	\$ 92,994	\$ 87,090
Unrestricted investment income	185,868	182,609
Gain (loss) on sale of capital assets	-	-
Miscellaneous	81,318	33,248
Transfers	29,796	356,212
Total business-type activities	<u>\$ 389,976</u>	<u>\$ 659,159</u>
Total primary government	<u>\$18,685,081</u>	<u>\$17,595,758</u>
Change in Net Assets:		
Governmental activities	\$ 3,937,699	\$ 7,897,332
Business-type activities	387,475	2,396,158
Total primary government	<u>\$ 4,325,174</u>	<u>\$10,293,490</u>

See Accompanying Independent Auditor's Report.

<u>2004</u>	<u>2003</u>
\$ 9,121,213	\$ 8,897,703
5,260,326	3,981,825
72,000	20,628
2,444,356	2,355,322
171,678	388,170
132,876	319,333
693,661	1,059,921
-	(286,153)
146,427	130,268
58,651	(791,038)
<u>\$18,101,188</u>	<u>\$16,075,979</u>
\$ 83,372	\$ 87,734
65,418	124,702
-	(2,437)
34,190	37,944
(58,651)	791,038
<u>\$ 124,329</u>	<u>\$ 1,038,981</u>
<u>\$18,255,517</u>	<u>\$17,114,960</u>
\$ 1,352,808	\$ 5,293
3,503,303	2,694,245
<u>\$ 4,856,111</u>	<u>\$ 2,699,538</u>

CITY OF MASON CITY, IOWA
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST FOUR FISCAL YEARS
 (modified accrual basis of accounting)

	<u>2006</u>	<u>2005</u>
General Fund:		
Reserved	\$ 208,096	\$ 212,296
Unreserved	8,593,915	9,052,118
Total general fund	<u>\$ 8,802,011</u>	<u>\$ 9,264,414</u>
 All Other Governmental Funds:		
Reserved	\$ 1,045,151	\$ 1,344,270
Unreserved, reported in:		
Special revenue funds	6,722,890	6,655,169
Capital project funds	3,614,649	4,631,731
Permanent funds	893,426	791,927
Total all other governmental funds	<u>\$12,276,116</u>	<u>\$13,423,097</u>

See Accompanying Independent Auditor's Report.

<u>2004</u>	<u>2003</u>
\$ 190,564	\$ 222,936
<u>8,976,676</u>	<u>8,472,303</u>
<u>\$ 9,167,240</u>	<u>\$ 8,695,239</u>
\$ 1,766,522	\$ 2,874,058
4,864,385	10,096,950
5,927,280	5,924,491
818,046	760,774
<u>\$13,376,233</u>	<u>\$19,656,273</u>

CITY OF MASON CITY, IOWA
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 LAST FOUR FISCAL YEARS
 (modified accrual basis of accounting)

	<u>2006</u>	<u>2005</u>
Revenues:		
Property taxes	\$ 8,441,105	\$ 7,764,803
TIF revenues	1,324,877	1,334,795
Other taxes	4,272,135	3,803,805
Licenses and permits	422,326	752,700
Intergovernmental	9,576,497	11,825,024
Charges for services	986,768	715,507
Fines and forfeitures	195,322	228,678
Use of money and property	994,387	1,305,195
Special assessments	75,497	90,348
Miscellaneous	1,127,791	1,078,449
Refunds	111,921	87,314
Total revenues	<u>\$27,528,626</u>	<u>\$28,986,618</u>
Expenditures:		
Public safety	\$ 7,904,694	\$ 7,396,491
Public works	2,954,535	2,922,781
Health and social services	586,664	638,500
Culture and recreation	2,596,250	2,456,088
Community and economic development	3,617,369	2,741,518
General government	2,244,677	2,114,246
Capital projects	8,734,458	11,064,257
Debt service:		
Principal retirement	1,396,363	1,255,708
Interest	490,091	486,787
Contractual	16,113	26,847
Total expenditures	<u>\$30,541,214</u>	<u>\$31,103,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(3,012,588)</u>	<u>\$(2,116,605)</u>
Other financing sources (uses):		
Issuance of refunding bonds	\$ -	\$ -
Payment to refunding escrow agent	-	-
Issuance of general obligation bonds	1,280,000	2,253,000
Premium/discount on bonds issued	-	13,855
Sale of capital assets	153,000	-
Transfers in	1,808,784	1,979,733
Transfers out	(1,838,580)	(1,985,945)
Total other financing sources (uses)	<u>\$ 1,403,204</u>	<u>\$ 2,260,643</u>
Net change in fund balances	<u>\$(1,609,384)</u>	<u>\$ 144,038</u>
Debt service as a percentage of noncapital expenditures	<u>8.56%</u>	<u>9.02%</u>

See Accompanying Independent Auditor's Report.

<u>2004</u>	<u>2003</u>
\$ 7,821,949	\$ 7,588,119
1,299,264	1,309,583
5,504,004	4,390,623
576,466	777,534
6,394,531	5,910,170
715,657	634,019
162,745	92,439
671,163	1,019,077
253,091	344,207
634,460	840,337
72,811	55,458
<u>\$24,106,141</u>	<u>\$22,961,566</u>

\$ 7,038,308	\$ 6,277,854
3,158,130	3,368,579
532,232	456,108
2,341,327	2,161,533
3,744,709	3,888,304
1,905,417	2,056,340
9,594,988	7,201,659
2,660,020	1,442,000
563,568	474,521
20,261	27,468
<u>\$31,558,960</u>	<u>\$27,354,366</u>

\$(7,452,819) \$(4,392,800)

\$ -	\$ 895,000
-	(870,385)
1,586,128	6,121,896
-	-
-	-
8,499,176	1,760,819
(8,440,525)	(2,551,856)
<u>\$ 1,644,779</u>	<u>\$ 5,355,474</u>

\$(5,808,040) \$ 962,674

14.54%

9.51%

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>
2006	\$8,441,105	\$1,324,877	\$16,416	\$ -	\$ -
2005	7,764,803	1,344,795	16,555	-	12,883
2004	7,821,949	1,299,624	19,350	-	72,000
2003	7,588,119	1,309,583	19,702	9,869	20,628
2002	7,415,453	1,250,365	20,034	10,396	30,554
2001	7,294,139	1,253,212	17,023	10,853	32,960
2000	6,969,773	1,301,360	17,880	10,884	27,965
1999	6,873,086	1,403,290	17,213	10,871	45,722
1998	6,493,592	1,298,252	17,036	10,884	41,100
1997	6,132,436	752,464	16,950	10,830	35,311

<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>
2006	\$308,951	\$ -	\$159,226	\$2,258,668	\$12,509,243
2005	288,301	-	161,992	1,976,896	11,566,225
2004	299,046	-	171,678	2,948,279	12,631,926
2003	282,093	176,219	211,951	2,186,902	11,805,066
2002	232,947	185,670	207,237	2,125,411	11,478,067
2001	216,012	193,829	209,489 (2)	1,855,121	11,082,638
2000	227,358	194,388	-	1,982,339	10,731,947
1999	215,218	194,157	-	1,906,634	10,666,191
1998	201,926	194,388	-	2,481,672	10,738,850
1997	193,904	193,411	-	1,945,661	9,280,967

(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
 ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Levy Year	Fiscal Year	Assessed Valuation			
		Residential Property	Commercial Property	Industrial Property	Agricultural Property
2005	2006	\$883,697,384	\$321,964,594	\$105,003,491	\$5,666,734
2004	2005	867,499,879	311,548,936	103,881,782	5,498,615
2003	2004	790,087,827	306,387,381	99,802,422	5,542,014
2002	2003	777,136,361	293,473,167	97,666,712	6,533,109
2001	2002	766,841,430	276,169,772	107,559,015	6,217,411
2000	2001	752,443,729	247,073,218	116,591,771	6,230,390
1999	2000	704,563,723	240,801,080	122,522,203	6,281,957
1998	1999	630,018,235	217,109,043	137,610,410	5,978,087
1997	1998	559,095,998	211,977,253	142,545,201	5,479,691
1996	1997	548,577,802	213,047,248	143,250,291	5,668,317

(1) State mandated rollbacks have been applied to each class of property

Source: City Assessor

See Accompanying Independent Auditor's Report.

<u>Utilities</u>	<u>Total</u>	<u>Total Taxable Valuation (1)</u>	<u>Total Direct Tax Rate</u>
\$33,420,085	\$1,349,752,288	\$869,786,552	11.63721
31,674,231	1,320,103,443	868,622,941	10.55109
32,546,117	1,234,365,761	829,968,057	10.46693
35,492,451	1,210,301,800	832,515,610	10.24691
34,542,151	1,191,329,779	814,538,602	10.09507
34,542,151	1,156,881,259	827,800,747	10.11793
34,724,735	1,108,893,698	787,616,257	10.08216
35,171,743	1,025,887,518	751,696,652	10.43269
35,171,743	954,269,886	696,376,842	10.16059
34,688,205	945,231,863	719,373,605	9.73945

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>
2006	8.66274	.88534	2.08913	11.63721
2005	8.69532	.26452	1.59125	10.55109
2004	8.82860	.59627	1.04206	10.46693
2003	8.66010	.73054	.85627	10.24691
2002	8.59876	.68841	.80790	10.09507
2001	8.58639	.75330	.77824	10.11793
2000	8.60974	1.05146	.42096	10.08216
1999	8.61839	1.41945	.39485	10.43269
1998	8.68331	1.24362	.23366	10.16059
1997	8.75311	.75268	.23366	9.73945

Source: Cerro Gordo County Auditor

Note: The City's general fund maximum property tax rate may only be \$8.10 per \$1,000 of valuation. The remaining portion of the operating rate and the rates for debt service and retirement are set based on each year's requirements.

See Accompanying Independent Auditor's Report.

<u>CERRO GORDO COUNTY</u>			<u>MASON CITY COMMUNITY SCHOOL DISTRICT</u>				
<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>
5.86024	.33910	6.19934	14.71869	-	14.71869	3.00375	35.55899
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

CITY OF MASON CITY, IOWA
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>2006</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Interstate Power Company	\$ 22,878,964	1	2.63%
Lehigh Portland Cement Company	17,880,939	2	2.05
AADG, Inc.	14,872,021	3	1.71
Northwestern States Cement-Holnam	14,032,099	4	1.61
Golden Grain Energy, Inc.	11,591,708	5	1.33
Downtown Mall Associates	10,690,760	6	1.23
Mills Fleet Farm	9,955,050	7	1.14
Wal-Mart	9,527,570	8	1.09
Principal Mutual Life Insurance Co.	8,779,280	9	1.01
Mercy Medical Center-North Iowa	7,183,426	10	0.83
General Foods Corporation	-		-
CAG Subsidiary, Inc.	-		-
Curries Manufacturing, Inc.	-		-
Mason City Shopping Center, Ltd.	-		-
IMI Cornelius, Inc.	-		-
Northwestern Bell Telephone Company	-		-
Total	<u>\$127,391,817</u>		<u>14.65%</u>

Source: City Assessor

See Accompanying Independent Auditor's Report.

<u>1997</u>		
<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
\$ 25,705,155	2	3.57%
27,150,842	1	3.77
-		-
24,591,167	3	3.41
-		-
-		-
-		-
8,722,130	7	1.21
-		-
19,226,919	4	2.67
11,141,725	5	1.54
10,646,348	6	1.48
5,917,710	8	0.82
5,464,722	9	0.76
5,516,191	10	0.77
<u>\$144,082,909</u>		<u>20.02%</u>

CITY OF MASON CITY
 PROPFERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

<u>Levy Year</u>	<u>For Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years (1)</u>
			<u>Amount</u>	<u>Percentage of Levy</u>	
2005	2006	\$9,414,330	\$9,410,684	99.96%	-
2004	2005	8,380,157	8,369,822	99.88	-
2003	2004	8,107,644	8,103,729	99.95	2,390
2002	2003	7,745,522	7,642,524	98.67	16,529
2001	2002	7,686,241	7,465,976	97.13	1,002
2000	2001	7,378,494	7,379,311	100.01	888
1999	2000	6,939,874	7,012,010	101.04	26,492
1998	1999	6,886,315	6,992,757	101.55	-
1997	1998	6,545,420	6,581,123	100.55	-
1996	1997	6,120,082	6,046,004	98.79	-

(1) Amount of delinquent taxes collected and allocated to fiscal years 1997 through 1999 is not available.

See Accompanying Independent Auditor's Report.

<u>Total Collections to Date</u>	
<u>Amount</u>	<u>Percentage of Levy</u>
\$9,410,684	99.96%
8,369,822	99.88
8,106,119	99.98
7,659,053	98.88
7,466,978	97.15
7,380,199	100.02
7,038,502	101.42
6,992,757	101.55
6,581,123	100.55
6,046,004	98.79

CITY OF MASON CITY, IOWA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	General Obligation		Special Assessment	TIF Revenue
	Bonds	Notes	Bonds	Bonds
2006	\$ 8,153,984	\$ 500,000	\$ -	\$2,401,925
2005	8,453,000	-	-	2,719,272
2004	7,140,000	-	-	3,034,980
2003	8,345,000	-	-	2,895,000
2002	5,230,000	155,000	25,000	937,000
2001	6,440,000	305,000	50,000	1,032,000
2000	6,900,000	450,000	85,000	1,117,000
1999	12,860,000	585,000	255,000	1,197,000
1998	14,990,000	710,000	450,000	1,267,000
1997	15,840,000	1,075,000	655,000	1,332,000

Fiscal Year	Business-Type Activities			
	General Obligation		Revenue	Capital
	Bonds	Notes	Bonds	Lease
2006	\$ 3,991,016	\$ 362,596	\$15,429,715	\$ 305,324
2005	2,392,000	399,870	16,199,167	399,842
2004	-	495,680	16,906,970	490,990
2003	-	90,000	9,218,080	-
2002	-	120,000	4,435,000	-
2001	-	145,000	5,070,000	-
2000	-	170,000	5,675,000	-
1999	-	195,000	6,255,000	-
1998	-	220,000	6,796,307	-
1997	-	240,000	7,326,307	-

See Accompanying Independent Auditor's Report.

<u>Lease</u>	<u>Settlement Note</u>	<u>Total</u>
\$ 64,829	\$ 31,528	\$11,152,266
126,867	56,125	11,355,264
186,233	75,000	10,436,213
243,043	-	11,483,043
-	-	6,347,000
4,989	-	7,831,989
18,728	-	8,570,728
30,802	-	14,927,802
-	-	17,417,000
-	-	18,902,000

<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$20,088,651	\$31,240,917	3.40%	\$1,071
19,390,879	30,746,143	3.76	1,054
17,893,640	28,329,853	3.43	971
9,308,080	20,791,123	3.51	713
4,555,000	10,902,000	1.40	374
5,215,000	13,046,989	1.60	447
5,845,000	14,415,728	1.94	496
6,450,000	21,377,802	3.06	736
7,016,307	24,433,307	3.63	841
7,566,307	26,468,307	3.99	911

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>Taxable Assessed Value(2)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>
2006	29,172	\$869,786,552	\$ 8,653,984	\$ 619,718
2005	29,172	868,622,941	8,453,000	769,200
2004	29,172	829,968,057	7,140,000	1,221,315
2003	29,172	832,515,610	7,890,000	2,313,361
2002	29,172	814,538,602	4,850,000	2,161,895
2001	29,172	827,800,747	6,135,000	2,062,162
2000	29,040	787,616,257	7,350,000	1,772,200
1999	29,040	751,696,652	13,445,000	1,812,697
1998	29,040	696,376,842	15,700,000	1,836,005
1997	29,040	719,373,605	16,915,000	1,059,382

<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>
2006	\$ 8,034,266	.92%	275.41
2005	7,683,800	.88	263.40
2004	5,918,685	.71	202.89
2003	5,576,639	.67	191.16
2002	2,688,105	.33	92.15
2001	4,072,838	.49	139.61
2000	5,577,800	.71	192.07
1999	11,632,303	1.54	400.56
1998	13,863,995	1.99	477.41
1997	15,855,618	2.20	545.99

Source:

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

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 JUNE 30, 2006

<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>
Direct:			
City of Mason City	\$11,152,266	100.00%	\$11,152,266
Overlapping:			
Mason City Community School District	21,365,000	91.00%	19,442,150
Cerro Gordo County	1,095,000	48.30%	528,885
North Iowa Area Community College	<u>8,900,000</u>	-	<u>-</u>
Total	<u>\$42,512,266</u>		<u>\$31,123,301</u>

Source: Information provided by individual unit.

See Accompanying Independent Auditor's Report.

**CITY OF MASON CITY, IOWA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt limit	\$67,487,614	\$67,400,322	\$66,048,766	\$39,884,754
Total net debt applicable to limit	<u>15,111,754</u>	<u>13,751,129</u>	<u>10,361,213</u>	<u>11,483,043</u>
Legal debt margin	<u>\$52,375,860</u>	<u>\$53,649,193</u>	<u>\$55,687,553</u>	<u>\$28,401,711</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>22.39%</u>	<u>20.40%</u>	<u>15.69%</u>	<u>28.79%</u>

Legal Debt Margin Calculation for Fiscal Year 2006

Actual assessed valuation:	
Real property	\$1,316,332,203
Utilities	33,420,085
Total actual assessed valuation	<u>\$1,349,752,288</u>
Debt limit - 5% of actual valuation	\$ 67,487,614
Total net debt applicable to limit	<u>15,111,754</u>
Legal debt margin	<u>\$ 52,375,860</u>

See Accompanying Independent Auditor's Report.

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$60,538,444	\$57,844,063	\$55,444,685	\$51,294,376	\$47,713,494	\$47,261,608
<u>4,850,000</u>	<u>6,135,000</u>	<u>7,350,000</u>	<u>13,445,000</u>	<u>15,700,000</u>	<u>16,915,000</u>
<u>\$55,688,444</u>	<u>\$51,709,063</u>	<u>\$48,094,685</u>	<u>\$37,849,376</u>	<u>\$32,013,494</u>	<u>\$30,346,608</u>
<u>8.01%</u>	<u>10.61%</u>	<u>13.26%</u>	<u>26.21%</u>	<u>32.90%</u>	<u>35.79%</u>

CITY OF MASON CITY, IOWA
 PLEDGED REVENUE COVERAGE - SEWER
 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>
2006	\$2,412,484	\$1,759,738	\$ 652,746
2005	2,311,231	1,660,486	650,745
2004	2,014,835	1,491,459	523,376
2003	2,125,686	1,520,466	605,220
2002	2,077,256	1,285,030	792,226
2001	2,099,338	1,231,672	867,666
2000	2,188,815	1,321,564	867,251
1999	2,219,273	1,207,668	1,011,605
1998	2,283,774	1,284,140	999,634
1997	2,232,954	1,299,496	933,458

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2006	\$340,000	\$ 97,755	\$437,755	1.49
2005	330,000	127,679	457,679	1.42
2004	310,000	142,511	452,511	1.16
2003	295,000	156,546	451,546	1.34
2002	280,000	169,859	449,859	1.76
2001	265,000	182,450	447,450	1.94
2000	260,000	193,780	453,780	1.91
1999	245,000	205,216	450,216	2.25
1998	235,000	216,291	451,291	2.22
1997	220,000	226,805	446,805	2.09

(1) Total operating expenses exclusive of depreciation.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 PLEDGED REVENUE COVERAGE - WATER
 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>
2006	\$4,214,116	\$2,837,049	\$1,377,067
2005	4,069,839	2,534,220	1,535,619
2004	3,542,206	2,178,226	1,363,980
2003	2,991,747	1,855,372	1,136,375
2002	2,381,344	1,810,814	570,530
2001	2,338,206	1,629,477	708,729
2000	2,430,550	1,652,308	778,242
1999	2,501,247	1,345,205	1,156,042
1998	2,372,362	1,485,935	886,427
1997	2,600,331	1,479,608	1,120,723

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2006	\$ 693,000	\$426,008	\$1,119,008	1.23
2005	1,088,000	457,617	1,545,617	0.99
2004	1,049,000	379,007	1,428,007	0.96
2003	375,000	88,206	463,206	2.45
2002	355,000	85,510	440,510	1.30
2001	340,000	103,870	443,870	1.60
2000	320,000	119,295	439,295	1.77
1999	305,000	134,347	439,347	2.63
1998	295,000	149,138	444,138	2.00
1997	280,000	163,199	443,199	2.53

(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>Personal Income (in thousands)</u>	<u>Per Capita Income(2)</u>	<u>Median Age(2)</u>	<u>School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>
2006	29,172	\$919,326	\$31,514	39.30	4,103	4.1
2005	29,172	831,023	28,487	41.55	4,241	4.8
2004	29,172	896,951	30,747	41.13	4,298	3.9
2003	29,172	807,481	27,680	40.30	4,357	3.5
2002	29,172	777,025	26,636	39.30	4,455	3.6
2001	29,172	817,516	28,024	39.52	4,482	2.7
2000	29,040	744,789	25,647	39.16	4,482	2.6
1999	29,040	698,470	24,052	38.63	4,667	2.0
1998	29,040	672,828	23,169	38.25	4,729	2.6
1997	29,040	663,070	22,833	37.84	4,831	3.2

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
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>2006</u>		<u>Percent of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Mercy Medical Center - North IA	1,900	1	6.29%
Curries Manufacturing Company	1,141	2	3.77
Mason City Community School District	600	3	1.98
Woodharbor Molding & Millwork	480	4	1.59
Principal Life Insurance Co.	450	5	1.49
Oscar Meyer (Kraft Foods)	396	6	1.31
Hy-Vee Food Stores	323	7	1.07
Larson Manufacturing Co.	320	8	1.06
City of Mason City	255	9	0.84
North Iowa Area Community College	230	10	0.76
Mason City Clinic	-		-
Opportunity Village	-		-
Alexander Manufacturing	-		-
Target Stores	-		-
IMI Cornelius	-		-
Armour Food Co.	-		-
Total	<u>6,095</u>		<u>20.16%</u>

Source: Mason City Economic Development Commission
 Mason City Chamber of Commerce

(1) Information not available

See Accompanying Independent Auditor's Report.

<u>1997</u>		
<u>Employees</u> (1)	<u>Rank</u>	<u>Percent of Total City Employment</u> (1)
-	1	-
-	2	-
-	-	-
-	-	-
-	3	-
-	-	-
-	5	-
-	-	-
-	-	-
-	-	-
-	4	-
-	6	-
-	7	-
-	8	-
-	9	-
-	10	-
<u>-</u>		<u>-</u>
<u>-</u>		<u>-</u>

CITY OF MASON CITY, IOWA
 FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Public safety:					
Police - sworn	50	47	49	47	45
Police - civilian	9	15	16	12	13
Fire - sworn	44	44	43	36	34
Fire - civilian	1	1	1	1	1
Building inspection	3	3	3	3	3
Plumbing/electrical inspection	2	2	2	2	2
Public works:					
Airport	6	5	4	4	5
Street	21	20	20	21	20
Arborist	1	1	1	1	1
Engineer	7	7	6	8	8
Health and social services:					
Youth Task Force	3	3	3	3	3
Health	1	1	1	1	1
Human rights	2	2	2	2	2
Culture and recreation:					
Parks	7	7	7	6	7
Recreation	4	4	4	4	4
Library	14	13	13	13	13
Museum	6	5	6	6	6
Community and economic development:					
Neighborhood Services	3	3	1	3	-
Community Development	9	9	9	9	8
Transit	14	14	17	17	17
General government:					
City administrator	2	2	2	2	1
Mayor	-	-	1	1	1
Finance	7	7	5	5	5
City clerk	3	3	3	3	3
City hall	1	1	1	1	1
Personnel/safety	2	2	2	2	2
Business-type activities:					
Water	21	22	19	21	21
Sewer	17	17	16	17	17
Sanitation	12	12	12	11	12
Cemetery	3	3	3	3	3
Golf course	2	2	2	2	2
<u>Total</u>	<u>277</u>	<u>277</u>	<u>274</u>	<u>267</u>	<u>261</u>

See Accompanying Independent Auditor's Report.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
43	43	33	33	24
15	15	15	15	17
34	34	34	34	24
1	1	1	1	1
3	3	3	3	3
2	2	2	2	2
5	5	5	5	5
19	21	24	22	24
1	1	1	1	1
8	6	6	6	7
3	2	2	2	1
1	1	1	1	1
2	2	2	2	2
7	7	7	7	7
4	4	4	4	4
14	13	12	11	11
6	6	6	6	5
-	-	-	-	-
7	9	8	7	7
17	17	18	18	17
1	1	2	1	1
1	1	1	1	-
5	5	5	4	5
3	3	3	3	3
1	1	1	1	-
2	2	1	1	1
21	22	19	21	20
17	16	17	16	16
12	12	13	14	14
2	3	3	3	3
<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>259</u>	<u>260</u>	<u>251</u>	<u>247</u>	<u>228</u>

**CITY OF MASON CITY, IOWA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

<u>Function</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Police:					
Physical arrests	3,309	3,551	3,362	3,190	3,247
Parking violations	3,870	4,041	5,827	6,180	7,089
Traffic violations	4,463	2,686	3,478	2,990	3,928
Fire:					
Fire calls answered	779	772	842	1,070	1,096
Ambulance calls answered	4,374	3,420	310	-	-
Inspections	373	781	673	1,097	2,004
Highways and streets:					
Street resurfacing (miles)	4.22	3.41	2.71	2.24	3.93
Potholes repaired	5,000	5,000	5,000	5,000	5,000
Sanitation:					
Refuse collected (tons/day)	26.2	25.9	25.6	25.1	24.7
Recyclables collected (tons/day)	5.7	5.9	6.0	6.0	5.9
Culture and recreation:					
Aquatic Center admissions	54,997	58,951	42,484	75,846	25,929
Water:					
New connections	10	1	8	7	7
Water main breaks	8	10	14	17	10
Average daily consumption (thousands of gallons)	5,819	5,869	5,571	4,964	5,003
Wastewater:					
Average daily sewage treatment (thousands of gallons)	6,637	6,618	5,433	5,832	5,127

See Accompanying Independent Auditor's Report.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
2,773	2,635	2,913	3,006	3,456
9,130	8,780	8,394	9,546	9,505
3,348	3,460	5,109	7,337	5,619
1,168	1,133	1,239	1,092	1,173
-	-	-	-	-
1,560	2,342	2,191	2,604	2,492
0.91	2.13	1.00	0.50	5.70
5,000	5,000	5,000	5,000	5,000
29.8	24.7	24.7	24.7	24.7
5.9	5.9	5.9	5.9	5.9
34,561	40,041	45,086	51,006	32,896
6	8	3	21	35
12	24	23	10	16
4,946	5,307	5,334	5,339	5,460
7,208	7,964	9,586	6,855	7,071

CITY OF MASON CITY, IOWA
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

<u>Function</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	151.69	150.78	148.12	148.12	148.12
Unpaved	41.12	41.12	41.80	41.80	41.80
Street lights	1,750	1,744	1,714	1,714	1,694
Culture and recreation:					
Parks	41	41	41	41	40
Acreage	639	639	639	639	580
Playgrounds	12	12	12	12	12
Baseball/softball diamonds	12	12	12	12	13
Golf courses	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	7	7	7	7	7
Business-type activities:					
Sewer miles:					
Storm	46.91	46.44	46.26	46.26	46.32
Sanitary	159.84	159.05	158.30	158.30	158.36
Cemetery:					
Facilities	1	1	1	1	1
Acreage	120	120	100	100	100

See Accompanying Independent Auditor's Report.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
1	1	1	1	1
1	1	1	1	1
147.70	145.80	143.80	142.30	141.80
42.12	43.29	43.60	44.20	44.20
1,692	1,681	1,670	1,649	1,687
39	38	38	38	38
550	550	550	550	550
13	13	13	12	12
12	12	12	12	12
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
46.26	44.95	44.50	43.70	43.70
158.30	156.80	156.10	154.00	153.50
1	1	1	1	1
100	100	100	100	100