CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

INTRODUCTORY SECTION

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

		Page
INTRODUCTORY SECTION		
Table of Contents		i-ii
City Officials		iii
Organizational Chart		iv
Transmittal Letter		v-xi
Certificate of Achievement		xii
	Exhibit	
FINANCIAL SECTION		
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-12
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	13-14
Statement of Activities	2	15-16
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	3	17-18
Statement of Revenues, Expenditures and Changes in Fund Balances	4	19-20
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	5	21-22
Road Use Tax Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	6	23-24
Proprietary Funds:		
Statement of Net Assets	7	25-28
Statement of Revenues, Expenses and Changes in Net Assets	8	29-30
Statement of Cash Flows	9	31-34
Fiduciary Funds:		
Statement of Net Assets	10	35
Statement of Changes in Fiduciary Net Assets	11	36
Notes to Financial Statements		37-58
	Schedule	
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	59-64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	2	65-70
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual:		
Special Revenue Funds:		
ESGP	3	71
ADDI	4	72
Housing	5	73
Community Growth TIF	6	74
Westside TIF	7	75
Gateway TIF	8	76
Police Retirement	9	77
Fire Retirement	10	78
Employee Retirement	11	79
Library Trust	12	80
CEBA	13	81

Park Inn Hotel	14	82
Softball Improvement Trust	15	83
Youth Softball Complex Trust	16	84
LHAP 2000	17	85
Debt Service Fund	18	86
Capital Projects Fund:		
Local Option Capital Improvement	19	87
19th Street SW Overpass	20	88
Permanent Fund:		
MacNider Museum Trust	21	89
Nonmajor Enterprise Funds:		
Combining Statement of Net Assets	22	90-91
Combining Statement of Revenues, Expenses, and Changes in Net Assets	23	92-93
Combining Statement of Cash Flows	24	94-97
Internal Service Funds:		
Combining Statement of Net Assets	25	98
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	26	99
Combining Statement of Cash Flows	27	100
Agency Fund:		
Statement of Changes in Assets and Liabilities:		
U.S. Savings Bond	28	101
Capital Assets Used in the Operation of Governmental Funds:		
Schedule by Source	29	102
Schedule by Function and Activity	30	103-104
Schedule of Changes by Function and Activity	31	105-106

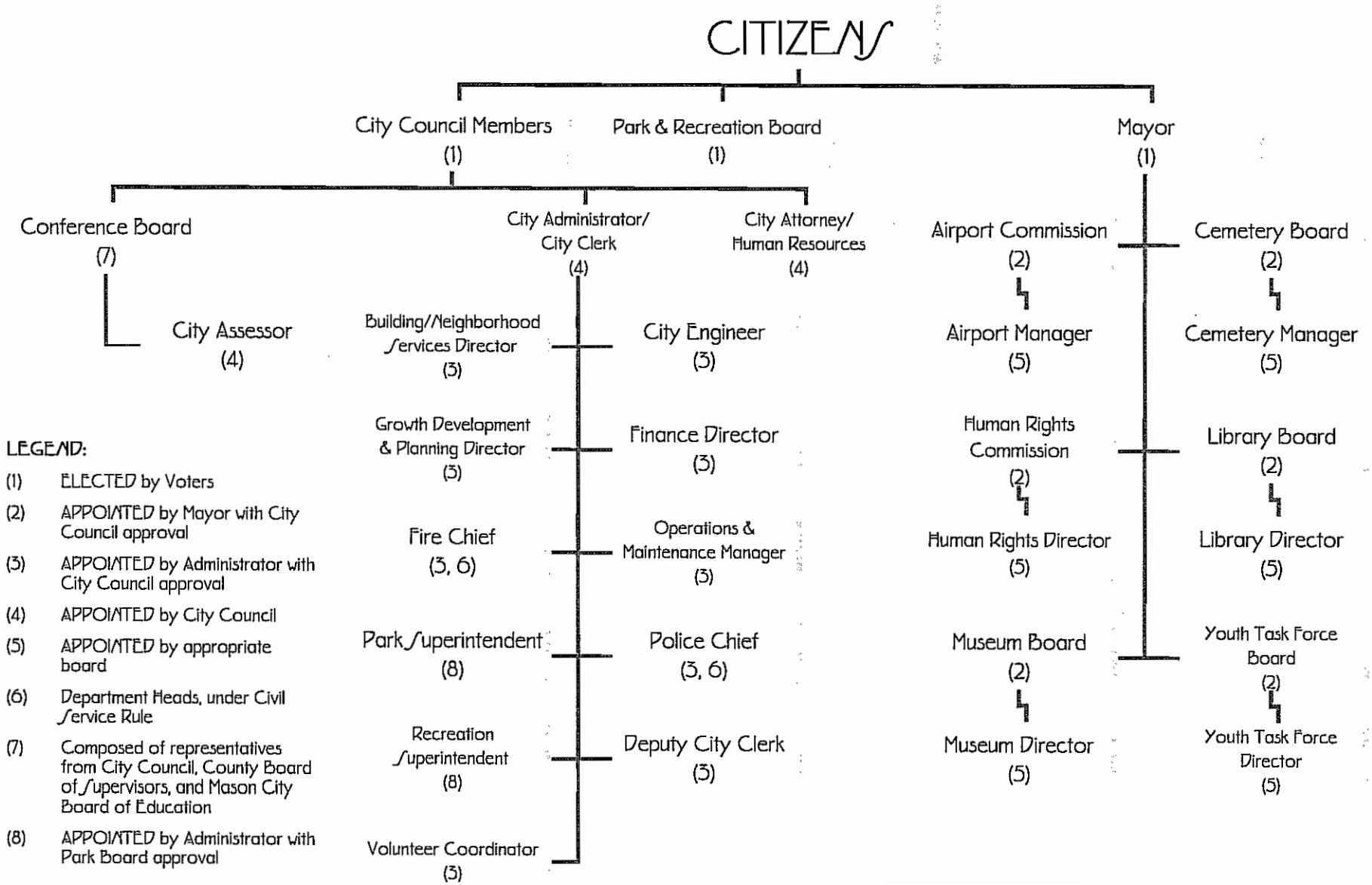
STATISTICAL SECTION

	Schedule	
Statistical Section		107
Net Assets by Component	1	108-109
Change in Net Assets	2	110-113
Fund Balances - Governmental Funds	3	114-115
Change in Fund Balance - Governmental Funds	4	116-117
General Governmental Tax Revenues by Source	5	118
Assessed and Actual Value of Taxable Property	6	119-120
Property Tax Rates - Direct and Overlapping Governments	7	121-122
Principal Property Tax Payers	8	123-124
Property Tax Levies and Collections	9	125-126
Ratio of Outstanding Debt by Type	10	127-128
Ratio of Net General Obligation Bonded Debt to Assessed Value and Per Capita	11	129
Direct and Overlapping Governmental Activities Debt	12	130
Legal Debt Margin Information	13	131-132
Pledged Revenue Coverage - Sewer	14	133
Pledged Revenue Coverage - Water	15	134
Demographic Statistics	16	135
Principal Employers	17	136-137
Full-Time Equivalent City Employees by Function	18	138-139
Operating Indicators by Function/Program	19	140-141
Capital Asset Statistics by Function/Program	20	142-143

CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2008

Name	Title	Term Expires
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 (resigned 1-16-08)	Council Member	2010
Steve Tynan (effective 5-20-08)	Council Member	2010
Brent Trout	City Administrator/Clerk	2008
Mark Rahm	Public Works Director	2008
Kevin Jacobson	Director of Finance/Treasurer	2008
Tom Meyer	City Attorney	2008
James Locher	Airport Attorney	2008
Michael Lashbrook	Police Chief	2008
Bob Platts	Fire Chief	2008
Pamela Myhre (effective 10-31-07)	Growth Development and Planning Director	2008
William Stangler	Operations and Maintenance Manager	2008
Tom Meyer	Human Resources Manager	2008
Mark Suby	Parks Manager	2008
Dan Brown	Recreation Manager	2008
Pam Osgood	Airport Manager	2008
Edith Blanchard	MacNider Museum Director	2008
Holly Martin-Huffman (resigned 8-14-07)	Library Director	2008
Mary Markwalter (effective 4-1-08)	Library Director	2008
Mark Halverson (resigned 9-28-07)	Elmwood Cemetery Manager	2008
Randy Opheim (effective 9-24-07)	Elmwood Cemetery Manager	2008
Lionel Foster	Human Rights Director	2008

City of Mason City



City of MASON CITY IOWA

10 First Street Northwest
Mason City, IA 50401-3224
(641) 421-3600
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January 6, 2009

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, 2008 (FY08) 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 U.S. generally accepted accounting principles.

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, 2007. 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, 2008, 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 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, Mason City Housing Authority and Youth Task Force Commissions and the Library, Cemetery and Museum Boards.

Departments include City Clerk, Growth Development and Planning, 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 past fiscal year has been a transition period with the focus on collaboration and regionalism. The City's new Growth Development & Planning department has focused its efforts on downtown development, new industrial park development and new zoning and subdivision ordinance updates to create development regulations that will guide new development in the community in accordance with the City's 2006 Comprehensive Plan. The June 8, 2008 flood event in the community has caused much of the department's efforts to be focused on disaster recovery and a long-term property buyout strategy that will redefine certain neighborhoods and park lands. Luckily, the business and industrial areas of the community had limited flood losses.

The City continued to work with the Mason City Economic Development Corporation (MCEDC), a non-profit public-private organization, to promote and facilitate job creation and capital investment in the Mason City area. The MCEDC continued to work with Mason City, Clear Lake and Cerro Gordo County to form a new, county-wide economic development corporation, merging assets and efforts to market the county to assist local industries and attract new capital investment and jobs.

The MCEDC is partially funded by the City to serve as the city's economic development marketing and recruitment arm. They are working on a total of 79 prospect files in the region, maintain a database of available buildings and sites in a 7-county region and partner with numerous local, state and national organizations to market and recruit business to North Iowa. They also assisted the City as the lead contact for businesses affected by the June flood. A key industry being targeted by the MCEDC is wind energy.

Accomplishments for the past fiscal year include:

- Continued marketing of the spec building to several interested parties.
- Worked with Corn Oil Bio-Solutions, LLC on a $25 million investment to be co-located at the Golden Grain Energy plant site, creating 10 new jobs to start.
- Continued work with Martin-Brower, LLC as they completed their $4 million warehouse and distribution facility that supports McDonald's Corporation and made plans for an expansion to add additional jobs to the local economy above their initial 70 job commitment.
- Worked with the Mason City Municipal Airport on a regional airport initiative.

Mason City, with its transportation network of interstate, four-lane highways, airport and rail service, a regional workforce, low property tax rates, excellent education system and community college, top notch hospital and health care, regional retail center, regional cultural and recreational amenities and the willingness to use public financial incentives to assist quality job retention and creation, is a competitive force for economic development in our region.

EXPANDED AND NEW INDUSTRIES (7/1/07-6/30/08)

The valuation of expanded industrial development totaled approximately $6,480,000 while new or expanded commercial and industrial development together totaled $13,816,692. Armour Eckrich expansion project was the front-runner for industrial development. Also included are Martin Brower and Kraft Foods. The commercial sector experienced development of 9 new structures in addition to over 95 expansions, remodeling or improvement projects. Four major developments in our commercial sector were the construction projects for the $834,655 Kum & Go, new Aspen Dental Offices of $750,000, Francis Lauer Services Adult Facility of $347,499, and Taco John's Restaurant of $206,151. A new V&M Farms Truck Repair, and Hawkeye Mini Storage, plus various other storage facilities were also built at valuations of approximately $674,004.

Other commercial and industrial ventures such as Mercy Medical Center, Wal-Mart Stores, Principal Financial, Menards, Moorman Clothiers, Whiskey Creek Wood Fire Grill, Dynamic Designs Furniture Store, Midwest Sleep Service, Radiologist of North Iowa, Enterprise Rental Car, Lehigh Cement, 360 Fitness Center, Wells Fargo Bank, Kephart Music, Mason City Chiropractic, Mercy Dermatology, First Citizens National Bank, Northside Liquor, Borealis, Crescent Electric, Kabrick Distributing and AAA Office, engaged in physical additions and/or renovations to their current facilities. Several of the above listed businesses opened for business during the year while others either completed or started remodeling and/or expansion projects.

DOWNTOWN

The City established a new Downtown Façade Grant Program providing up to $20,000 2:1 matching grants to incent the rehabilitation of historic storefronts in the Downtown Historic District. Two projects have been awarded grants thus far from the $100,000 program. The City also provided $200,000 grant/loan to Moorman Clothiers to rehabilitate a historic downtown building and create an upper floor apartment.

The City's support for the Vision Iowa project will have major impact on the face of downtown with the restoration of the Frank Lloyd Wright designed Park Inn Hotel/City National Bank buildings. The City will also provide parking for the hotel and make substantial streetscape improvements along Federal Avenue, including the Federal Plaza.

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:

- Conducted 11 promotional events including ValenWine, the Friday Night Live summer concert series, Spooktacular Parade, The Great River City Festival and Home for the Holidays.
- Received a $25,000 grant for 'Way Finding' signage in the downtown area from the Iowa Great Places designation.
  Due to design changes required by the Iowa DOT and City Engineering, the placement of signs has been delayed until June 2009. Additional grants have been received from the Kinney Lindstrom Foundation for $6,000 and the Mason City Convention and Visitors Bureau for $5,000. Iowa DOT is presently designing approved signs. The City Engineer and Iowa DOT are working jointly on placements of specific "one" poles versus "two" poles.
- Conducted 2nd Annual "Cultural Walking Tour"," a guided tour of historic structures in the downtown and Rock Crest/Rock Glen neighborhoods.
- Currently receiving applications for the 2009 Challenge Grant. Last year two successful Challenge Grants were received from Main Street Iowa totaling $100,000. The grants will leverage approximately $600,000 in improvements to two historically significant structures.
- Sponsored a design consultation by Main Street Iowa that included renderings of façade renovation concepts for 15+ structures downtown plus an upper floor living case study that is in progress.
- Completed a Real Estate and Retail Market Analysis of the downtown.
- Provided Main Street/State of Iowa resources to flood victim businesses. June/July 2008.
- Recognition as a National Main Street Community.
- Active organization in Farmers Market move to downtown permanently from West Side location. Also member of organizing Farmers Market coalition to the upcoming major Farmers Market Convention 2009.

HOUSING:

Housing construction for Fiscal Year 2008 included 20 single-family dwellings and one duplex (two units), for a total of 22 new housing units. The number of single family dwelling units built was lower than that of previous years. Six single-family dwellings were demolished. After reducing the number of housing units built by the number demolished, the net gain for housing in FY08 totals 16 dwelling units for the community.

TRAFFIC

In 2008, the Mason City Engineering Department completed the following transportation improvement projects throughout Mason City. The purpose of these types of projects is to expand the street system, increase safety, and to restore a safer driving surface for motorists.

South Washington Avenue utility extension project included a full width paved street extending south from 43rd Street SW approximately 698 feet.

Sunset Ridge Sixth Subdivision included a paved street and a cul-de-sac. The total length of the project was approximately 410 feet.

Approximately 3 miles of City streets were overlaid with asphalt as part of the annual rehabilitation program. This overlay will extend the life of pavement and improve the surface and, therefore, the ride for motorists.

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, 2008 provided instances of material weakness in the internal control structure. 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, 2008.

Revenues	Amount	Percent of Total
Taxes	$14,894,738	59.59%
Licenses and Permits	589,770	2.35
Intergovernmental	6,877,696	27.51
Service Revenues	665,366	2.67
Fines and Forfeitures	88,621	0.35
Use of Monies and Properties	1,245,278	4.98
Special Assessments	108,927	0.44
Miscellaneous	453,213	1.81
Refunds	72,695	0.30
Total	$24,996,304	100.00%

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2008.

Expenditures	Amount	Percent of Total
Public Safety	$ 8,339,910	32.09%
Public Works	2,829,065	10.88
Health and Social Services	805,599	3.10
Culture and Recreation	2,782,046	10.71
Community & Economic Development	1,134,548	4.36
General Government	2,134,146	8.21
Capital Projects	5,588,883	21.51
Debt Service	2,372,310	9.14
Total	$25,986,507	100.00%

GENERAL FUND BALANCE

The General Fund closed the FY08 with a fund balance of $8,622,126 compared to $8,880,821 on June 30, 2007. This was due to a $258,695 deficiency of revenues under expenditures for FY08.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were $69,868 in FY08, a decrease of 26.8% from FY07. Operating expenses were $258,765 in FY08, a decrease of 0.7% from FY07. Net income was $39,797 in FY08, a 3.47% decrease from FY07.

2. Waterworks Fund - Operating revenues were $4,701,954 in FY08, an increase of 2.4% from FY07. Operating expenses were $4,292,989 in FY08, an increase of 1.9% from FY07. Net income was $231,790 in FY08, a 56.3% decrease from FY07.

3. Sewer Rental Fund - Operating revenues were $3,058,795 in FY08, an increase of 15.7% from FY07. Operating expenses were $2,569,442 in FY08, an increase of 0.2% from FY07. Net income was $122,976 in FY08, a 10,000.4% increase from FY07.

4. Parking Lots Fund - Operating revenues were $43,890 in FY08, a decrease of 18.0% from FY07. Operating expenses were $110,591 in FY08, an increase of 7.3% from FY07. Net income was $25,411 in FY08, a 3,395.3% increase from FY07.

5. Storm Sewer Fund - Operating revenues were $288,428 in FY08, an 11.4% increase from FY07. Operating expenses were $182,923 in FY08, a 38.8% increase from FY07. Net income was $322,993 in FY08, a 101.7% increase from FY07.

6. Solid Waste Fund - Operating revenues were $1,112,824 in FY08, an increase of 5.5% from FY07. Operating expenses were $1,188,247 in FY08, an increase of 5.1% from FY07. Net income was $(70,446) in FY08, a 1.7% decrease from FY07.

7. Golf Course Fund - Operating revenues were $409,400 in FY08, a decrease of 0.5% from FY07. Operating expenses were $495,248 in FY08, an increase of 6.4% from FY07. Net income was $(75,112) in FY08, a 178.5% decrease from FY07.

8. Ambulance Fund - Operating revenues were $1,553,944 in FY08, an increase of 10.4% from FY07. Operating expenses were $1,265,382 in FY08, a decrease of 10.5% from FY07. Net income was $280,333 in FY08, an increase of 18.1% from FY07.

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, 2008:

		RATIOS	
	Amount	Debt to Assessed Value	Debt per Capita
Net Bonded Debt	$10,747,418	1.11%	$368.42

The City issued $3,920,000 of General Obligation bonds and $1,020,000 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 $1,303,624 on all investments for the year ended June 30, 2008.

For the fiscal period ended June 30, 2008, interest income was as follows:

Fund Type	June 30, 2008	June 30, 2007
General Fund	$ 393,040	$ 500,336
Special Revenue Funds	378,981	353,260
Capital Projects Funds	126,738	135,181
Enterprise Funds	258,428	273,524
Permanent Funds	60,336	53,176
Debt Service Funds	23,466	32,593
Fiduciary Funds	-	210
Internal Service Funds	62,635	58,819
Total Interest Earned	$1,303,624	$1,407,099

The decrease in earnings on idle funds invested for the year ending June 30, 2008 was due to the decrease in rate of return on invested funds.

RISK MANAGEMENT

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

OTHER INFORMATION

Independent Audit: The Code of Iowa requires an annual audit be made of the financial condition and transactions of all administrative departments of the City by the State Auditor or by a Certified Public Accountant selected by the City Council. The audit for FY08 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, 2007. This was the twenty-second 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, 2007

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

Douglas E. Kronlage

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2008, 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 U.S. generally accepted auditing standards, 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, 2008, 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 U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report, under separate cover, dated January 6, 2009 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, 2008 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 Kraulage

January 6, 2009

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, 2008. 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, 2008, by $120.34 million (net assets). Of this amount, $25.85 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 $6.02 million.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of $23.02 million, an increase of 3.0% as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $8.41 million, or 46.6% of the total general fund expenditures.
- Total debt increased by $3,563,000 (10.38%) during the current fiscal year. The City issued $7.02 million of new bonds and retired $3.45 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 two component units, the MacNider Museum Foundation and the Mason City Housing Authority are included. Financial information for the foundation is included with governmental special revenue funds, while the housing authority is shown separately as a component unit.

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 $120,339,715 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net assets (75.0%) 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, 2008 and June 30, 2007.

City of Mason City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current & other assets	$41,379,780	$37,219,471	$ 7,378,419	$ 3,181,784	$ 48,758,199	$ 40,401,255
Capital assets	66,975,826	64,093,350	61,246,434	60,158,205	128,222,260	124,251,555
Total assets	108,355,606	101,312,821	68,624,853	63,339,989	176,980,459	164,652,810
Long-term liabilities outstanding	11,164,626	10,703,414	23,168,357	20,512,751	34,332,983	31,216,165
Other liabilites	17,886,567	15,437,202	4,421,194	3,679,114	22,307,761	19,116,316
Total liabilites	29,051,193	26,140,616	27,589,551	24,191,865	56,640,744	50,332,481
Net Assets:						
Invested in capital assets, net of related debt	54,151,661	51,379,331	36,086,120	35,294,652	90,237,781	86,673,983
Restricted	1,451,883	1,545,406	2,799,606	2,578,675	4,251,489	4,124,081
Unrestricted	23,700,869	22,247,468	2,149,576	1,274,797	25,850,445	23,522,265
Total	$79,304,413	$75,172,205	$41,035,302	$39,148,124	$ 120,339,715	$ 114,320,329

A portion of the City of Mason City's net assets (3.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($25,850,445) 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 $874,779 in unrestricted net assets for the City of Mason City's business type activities. Most of the increase is due to the increase in utility rates.

The government's net assets increased by $6,019,386 for the current fiscal year. Most of the increase was due to an increase in taxes collected due to increases in total taxable valuation. Other taxes such as Hotel/Motel and Local Option Sales Tax contributed to the increase.

City of Mason City's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Charges for services	$ 1,461,078	$ 1,601,118	$ 11,287,686	$ 10,443,813	$ 12,748,764	$ 12,044,931
Operating grants & contributions	1,586,253	1,690,908	-	-	1,586,253	1,690,908
Capital grants & contributions	3,383,038	4,537,680	1,111,409	583,409	4,494,447	5,121,089
General Revenues:						
Taxes	20,062,148	18,845,742	100,873	92,417	20,163,021	18,938,159
Investment earnings	1,478,799	1,746,741	346,442	343,964	1,825,241	2,090,705
Miscellaneous	114,747	139,083	106,463	47,948	221,210	187,031
Total revenues	28,086,063	28,561,272	12,952,873	11,511,551	41,038,936	40,072,823
Expenses:						
Public safety	8,836,067	8,497,763	-	-	8,836,067	8,497,763
Public works	6,547,510	5,695,837	-	-	6,547,510	5,695,837
Health & social servies	838,912	719,340	-	-	838,912	719,340
Culture & recreation	3,192,566	3,197,601	-	-	3,192,566	3,197,601
Community & econ development	1,516,775	1,429,911	-	-	1,516,775	1,429,911
General government	2,206,251	2,241,467	-	-	2,206,251	2,241,467
Interest on debt	580,638	541,891	-	-	580,638	541,891
Water	-	-	4,896,428	4,791,948	4,896,428	4,791,948
Sewer	-	-	2,841,619	2,754,070	2,841,619	2,754,070
Other	-	-	3,562,784	3,262,194	3,562,784	3,262,194
Total expenses	23,718,719	22,323,810	11,300,831	10,808,212	35,019,550	33,132,022
Increase in net assets before transfers	4,367,344	6,237,462	1,652,042	703,339	6,019,386	6,940,801
Transfers	(235,136)	(97,000)	235,136	97,000	-	-
Increase in net assets	4,132,208	6,140,462	1,887,178	800,339	6,019,386	6,940,801
Net assets 7-1-2007	75,172,205	69,031,743	39,148,124	38,347,785	114,320,329	107,379,528
Net assets 6-30-2008	$ 79,304,413	$ 75,172,205	$ 41,035,302	$ 39,148,124	$ 120,339,715	$ 114,320,329

Governmental Activities

The governmental activities' net assets for the City of Mason City increased by $4,132,208 during the current fiscal year, accounting for 68.6% 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 rehabilitation projects, street construction and park improvements.

Business-type Activities

Total net assets increased by $1,887,178 for fiscal year 2007, accounting for 31.4% of the total growth in the City of Mason City's net assets. The increase is due to the City continuing upgrades of the water and sanitary sewer system.

Charges for services for business-type activities increased 8.08%. Utility rate increases of 4.82% for Water and 14.86% for Sewer were enacted July 1, 2007.

Operating expenses for business type activities increased by 4.56%. Expenses in the Water fund increased by 2.19% while Sewer expenses increased by 3.18%. The increase in Water and Sewer was due directly to the increased in operating costs such as wage adjustments and insurance premium the City pays.

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 $23,022,852, an increase of $693,194 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 ($362,803); 2) for cemetery perpetual care ($455,442); 3) for Museum expenditures ($633,638); and 4) prepaid expenditures ($215,844).

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 $8,412,260 while total fund balance reached $8,622,126. 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 46.6% of total general fund expenditures, while total fund balance represents 47.8% of that same amount.

The General Fund balance decreased by $258,695. Factors in this decrease are as follows:

- The City Council approved a budgeted drawdown of the fund balance during the FY 07-08 budget process.

The debt service fund has a total fund balance of $362,803, all of which is reserved for the payment of future debt service. The net decrease of $142,222 in fund balance during the current year in the debt service fund was due to payment of the new bond issue interest not currently certified on the debt service levy.

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

- $3,920,000 General Obligation bonds for Street Improvements and Public Safety Improvements.
- $320,000 Capital Loan Note for Downtown economic development projects.
- $700,000 Capital Loan Note for campgrounds improvements.
- $1,345,000 Water Revenue bonds for water projects.

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 $3,191,022. Water reported an increase in net assets of $231,790 and Sewer reported an increase of $1,222,976.

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 and the approved upgrade of the Sewage Treatment plant.

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 $742,729 and the significant items are summarized as follows:

- Public safety expenses for rising fuel costs were increased by $96,000.
- Snow removal costs were greater than anticipated by $177,000 due to unusually heavy amounts of snow.
- Youth Task Force services were increased by $105,000 and funded through state grants.
- Economic development grants were awarded for two projects totaling $253,000.

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, 2008, amounts to $128,222,260 (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:

- Street construction projects including intersection improvements were completed.
- The Airport completed taxiway overlay projects and fenced the entire perimeter.
- Several parks enhancements were completed.
- Water main reroutes were completed.
- 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	
	2008	2007	2008	2007	2008	2007
Land	$ 2,634,356	$ 2,634,356	$ 4,823,362	$ 4,823,362	$ 7,457,718	$ 7,457,718
Buildings & Structures	3,552,872	3,126,019	13,798,490	14,200,934	17,351,362	17,326,953
Other Improvements	14,218,264	5,351,714	238,715	264,030	14,456,979	5,615,744
Machinery & Equip	1,827,475	1,531,089	801,436	733,968	2,628,911	2,265,057
Vehicles	2,475,538	2,826,068	1,019,417	1,146,690	3,494,955	3,972,758
Infrastructure	37,669,857	37,708,419	35,330,408	33,159,988	73,000,265	70,868,407
Const in Progress	4,597,464	10,405,564	5,234,606	3,242,235	9,832,070	13,647,799
Total	$66,975,826	$63,583,229	$61,246,434	$57,571,207	$128,222,260	$ 121,154,436

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 $37.98 million as compared to $34.54 million last fiscal year. The increase is a result of new debt issued for street, water and sewer construction projects. Of the total debt outstanding, $11.11 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 Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation	$11,110,221	$10,191,252	$ 6,314,230	$ 4,388,274	$17,424,451	$14,579,526
Revenue bonds	1,727,044	2,072,975	18,740,604	17,888,281	20,467,648	19,961,256
Equipment purchase contract	-	-	105,480	-	105,480	-
Total	$12,837,265	$12,264,227	$25,160,314	$22,276,555	$37,997,579	$34,540,782

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 $77,926,623 and the City of Mason City is currently at $15,643,215 or 20.07% 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 51-56 of this report.

Economic Factors and Next Year's Budget and Rates

- The national average unemployment for June 2008 is 5.5% but has risen to 6.7% in November 2008. The unemployment level for June 2007 was 4.5%. Cerro Gordo County's rate for June 2008 is 4.8%, and the state's rate is 3.9%.
- The hourly wage rate in Cerro Gordo County averaged $14.01 for 2006, $14.87 for 2007 and $15.38 for 4th quarter 2008.
- Retail sales in the Cerro Gordo County were $651 million for fiscal year ending 2008, up from $628 million in fiscal year 2007 and $600 million in fiscal year 2006.
- The total value of building permits for fiscal year 2008 was approximately $20.30 million. This compares with an amount of $42.7 million for fiscal year 2007.

Next Year's Budget and Rates

For FY 2010, 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 6.88% for Water and 4.0% for Sewer for FY 2010. Several capital projects are currently under consideration for the FY 2010 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, 2008

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS:				
Current assets:				
Cash	$ 14,375,976	$ 2,513,828	$ 16,889,804	$377,594
Investments	11,197,535	950,050	12,147,585	-
Receivables:				
Taxes	11,888,073	106,460	11,994,533	-
Special assessments	192,362	23,365	215,727	-
Accounts (net)	171,612	1,566,645	1,738,257	11,471
Accrued interest	97,611	14,482	112,093	-
Internal balances	1,068,348	(1,068,348)	-	-
Due from other governments	1,603,244	50,606	1,653,850	-
Prepaid insurance	215,844	28,155	243,999	-
Inventory	45,155	386,717	431,872	-
Deferred charges	-	-	-	1,694
Total current assets	$ 40,855,760	$ 4,571,960	$ 45,427,720	$390,759
Noncurrent assets:				
Restricted assets:				
Cash	$ 10,426	$ 643,830	$ 654,256	$ -
Investments	442,350	2,150,000	2,592,350	-
Receivables	2,550	5,776	8,326	-
Special assessments	68,694	6,853	75,547	-
Capital assets:				
Land and construction in progress	7,231,820	10,057,968	17,289,788	-
Other capital assets net of depreciation	59,744,006	51,188,466	110,932,472	17,728
Total noncurrent assets	$ 67,499,846	$64,052,893	$131,552,739	$ 17,728
Total assets	$108,355,606	$68,624,853	$176,980,459	$408,487
LIABILITIES:				
Current liabilities:				
Accounts payable	$ 2,516,344	$ 987,641	$ 3,503,985	$ 2,266
Salaries payable	453,952	168,020	621,972	23,282
Contracts payable	418,893	752,725	1,171,618	-
Accrued compensated absences	957,303	225,260	1,182,563	-
Accrued interest payable	40,326	68,324	108,650	-
Due to other governments	4,241	13,647	17,888	-
Due to customers	-	60,171	60,171	-
Unearned revenue	11,835,969	113,069	11,949,038	-
Prepaid interments	-	40,380	40,380	-
Deferred revenue	-	-	-	11,471
Current portion of long-term debt:				
Bonds payable	1,659,539	1,886,477	3,546,016	-
Capital lease	-	105,480	105,480	-
Total current liabilities	$ 17,886,567	$ 4,421,194	$ 22,307,761	$ 37,019
Noncurrent liabilities:				
Bonds payable	$ 11,177,726	$23,273,353	$ 34,451,079	$ -
Advance on long-term debt	30,300	-	30,300	-
Discount on bonds payable	(43,400)	(104,996)	(148,396)	-
Total noncurrent liabilities	$ 11,164,626	$23,168,357	$ 34,332,983	$ -
Total liabilities	$ 29,051,193	$27,589,551	$ 56,640,744	$ 37,019

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
NET ASSETS:				
Invested in capital assets—net of related debt	$ 54,151,661	$36,086,120	$ 90,237,781	$ 17,728
Restricted for:				
Nonexpendable:				
Museum funding	633,638	-	633,638	-
Perpetual care	455,442	-	455,442	-
Expendable:				
Bond retirement	362,803	2,799,606	3,162,409	-
Unrestricted	23,700,869	2,149,576	25,850,445	353,740
Total net assets	$ 79,304,413	$41,035,302	$120,339,715	$371,468

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions
Primary government:			
Governmental activities:			
Public safety	$ 8,836,067	$ 331,821	$ 120,206
Public works	6,547,510	154,639	61,867
Health and social services	838,912	2,648	445,338
Culture and recreation	3,192,566	462,564	290,532
Community and economic development	1,516,775	109,626	668,310
General government	2,206,251	399,780	-
Interest on long-term debt	580,638	-	-
Total governmental activities	$23,718,719	$ 1,461,078	$1,586,253
Business-type activities:			
Cemetery	$ 263,411	$ 69,868	$ -
Water	4,896,428	4,701,954	-
Sewer	2,841,619	3,060,266	-
Parking lots	112,018	91,002	-
Storm sewer	188,876	288,428	-
Solid waste	1,201,526	1,112,824	-
Golf course	496,383	409,400	-
Ambulance	1,300,570	1,553,944	-
Total business-type activities	$11,300,831	$11,287,686	$ -
Total primary government	**$35,019,550**	**$12,748,764**	**$1,586,253**
Component unit:			
Mason City Housing Authority	$ 1,690,563	$ 1,766,583	$ -

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.

Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets Primary Government: Governmental Activities	Business-Type Activities	Total	Component Unit
$ -	$ (8,384,040)	$ -	$ (8,384,040)	$ -
3,037,932	(3,293,072)	-	(3,293,072)	-
-	(390,926)	-	(390,926)	-
269,539	(2,169,931)	-	(2,169,931)	-
75,567	(663,272)	-	(663,272)	-
-	(1,806,471)	-	(1,806,471)	-
-	(580,638)	-	(580,638)	-
$3,383,038	$(17,288,350)	$ -	$(17,288,350)	$ -
$ -	$ -	$ (193,543)	$ (193,543)	$ -
229,255	-	34,781	34,781	-
882,154	-	1,100,801	1,100,801	-
-	-	(21,016)	(21,016)	-
-	-	99,552	99,552	-
-	-	(88,702)	(88,702)	-
-	-	(86,983)	(86,983)	-
-	-	253,374	253,374	-
$1,111,409	$ -	$ 1,098,264	$ 1,098,264	$ -
$4,494,447	$(17,288,350)	$ 1,098,264	$(16,190,086)	$ -
$ -	$ -	$ -	$ -	$ 76,020
	$ 12,343,528	$ 100,873	$ 12,444,401	-
	5,032,706	-	5,032,706	-
	2,499,599	-	2,499,599	-
	186,315	-	186,315	-
	10,001	2,825	12,826	-
	1,478,799	346,442	1,825,241	12,016
	104,746	103,638	208,384	-
	(235,136)	235,136	-	-
	$ 21,420,558	$ 788,914	$ 22,209,472	$ 12,016
	$ 4,132,208	$ 1,887,178	$ 6,019,386	$ 88,036
	75,172,205	39,148,124	114,320,329	283,432
	$ 79,304,413	$41,035,302	$120,339,715	$371,468

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2008

	General	Road Use Tax	Other Governmental	Total
ASSETS:				
Cash	$ 6,863,368	$1,049,804	$5,522,226	$13,435,398
Investments	2,825,000	600,000	6,847,490	10,272,490
Receivables:				
Property taxes	8,167,385	-	2,730,217	10,897,602
Other taxes	6,274	-	-	6,274
Special assessments - current	86,222	77,999	28,141	192,362
Special assesments - deferred	38,659	15,145	14,890	68,694
Accounts (net)	34,104	137,508	-	171,612
Accrued interest	68,759	-	22,704	91,463
Due from other funds	507,946	10,232	343,278	861,456
Due from state government	436,611	207,295	204,547	848,453
Due from federal government	633,102	64,775	56,914	754,791
Prepaid insurance	209,866	5,978	-	215,844
Restricted assets:				
Cash	-	-	10,426	10,426
Investments	-	-	442,350	442,350
Accrued interest	-	-	2,550	2,550
Total assets	$19,877,296	$2,168,736	$16,225,733	$38,271,765
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	$ 1,439,240	$ 157,026	$ 239,661	$ 1,835,927
Salaries payable	408,859	39,391	-	448,250
Contracts payable	326,794	43,897	48,202	418,893
Accrued vacation payable	877,199	64,754	4,375	946,328
Due to other funds	77,173	259,781	418,652	755,606
Due to state government	3,828	-	413	4,241
Unearned revenue	8,122,077	15,145	2,702,446	10,839,668
Total liabilities	$11,255,170	$ 579,994	$ 3,413,749	$15,248,913
Fund balances:				
Reserved for:				
Museum funding	$ -	$ -	$ 633,638	$ 633,638
Debt service	-	-	362,803	362,803
Prepaid insurance	209,866	5,978	-	215,844
Perpetual care	-	-	455,442	455,442
Unreserved:				
General	8,412,260	-	-	8,412,260
Special revenue	-	1,582,764	7,177,531	8,760,295
Capital project	-	-	3,882,653	3,882,653
Permanent	-	-	299,917	299,917
Total fund balances	$ 8,622,126	$1,588,742	$12,811,984	$23,022,852
Total liabilities and fund balance	$19,877,296	$2,168,736	$16,225,733	$38,271,765

(continued)

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Fund balances—total governmental funds		$23,022,852
Amounts reported for governmental activities in the statement of net assets are different because:		
Inventories used in governmental activities recorded under the purchases method of accounting are not reported as current assets.		45,155
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		66,919,764
Internal service funds, net assets		2,181,133
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:		
Bonds payable	$(12,867,565)	
Accrued interest	(40,326)	
Bond discount	43,400	(12,864,491)
Net assets of governmental activities		**$79,304,413**

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, 2008

	General	Road Use Tax	Other Governmental	Total
REVENUES:				
Property taxes	$ 7,441,775	$ -	$ 2,550,099	$ 9,991,874
TIF revenues	-	-	1,549,165	1,549,165
Other taxes	3,353,699	-	1,865,326	5,219,025
Licenses and permits	589,770	-	-	589,770
Intergovernmental	3,993,809	2,832,573	236,007	7,062,389
Charges for service	607,861	10,722	55,213	673,796
Fines and forfeitures	88,621	-	-	88,621
Use of money and property	815,358	896	592,021	1,408,275
Special assessments	9,656	82,015	17,256	108,927
Miscellaneous	402,678	-	94,482	497,160
Refunds	72,695	-	-	72,695
Total revenues	$17,375,922	$2,926,206	$ 6,959,569	$27,261,697
EXPENDITURES:				
Current:				
Public safety	$ 7,182,922	$ -	$ 1,156,988	$ 8,339,910
Public works	857,241	1,936,030	485,380	3,278,651
Health & social services	781,726	-	23,873	805,599
Culture & recreation	2,564,529	-	221,200	2,785,729
Community & economic development	935,514	68,977	130,057	1,134,548
General government	2,030,610	-	103,536	2,134,146
Capital projects	3,692,506	942,786	3,224,060	7,859,352
Debt service:				
Principal retirement	-	-	1,792,073	1,792,073
Interest	-	-	530,122	530,122
Contractual	-	-	50,115	50,115
Total expenditures	$18,045,048	$2,947,793	$ 7,717,404	$28,710,245
Excess (deficiency) of revenues over (under) expenditures	$ (669,126)	$ (21,587)	$ (757,835)	$(1,448,548)
Other financing sources (uses):				
Issuance of general obligation bonds	$ 473,000	$1,000,000	$ 927,300	$ 2,400,300
Discount on bonds	-	-	(23,422)	(23,422)
Transfers in	288,082	96,400	1,077,808	1,462,290
Transfers out	(350,651)	(230,875)	(1,115,900)	(1,697,426)
Total other financing sources (uses)	$ 410,431	$ 865,525	$ 865,786	$ 2,141,742
Net change in fund balances	$ (258,695)	$ 843,938	$ 107,951	$ 693,194
Fund balance beginning of year	8,880,821	744,804	12,704,033	22,329,658
Fund balance end of year	$ 8,622,126	$1,588,742	$12,811,984	$23,022,852

(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, 2008

Net change in fund balances—total governmental funds		$ 693,194
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 the sale increase financial resources. Thus, the change in fund balance differs by the cost of the capital assets sold.		(30,012)
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	$6,840,144	
Depreciation expense	(3,367,742)	3,472,402
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	$1,792,073	
Issuance of debt	(2,400,300)	
Accrued interest	(401)	
Amortization of bond discount	(6,043)	
Amortization of excess refunding bond costs	(29,420)	(644,091)
Internal service funds net change		640,715
Change in net assets—governmental activities		**$4,132,208**

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, 2008

	Original Budget	Amended Budget	Actual
REVENUES:			
Property tax	$ 7,406,740	$ 7,406,740	$ 7,441,775
Other tax	2,758,244	2,858,244	3,353,699
Licenses and permits	592,980	592,980	589,770
Intergovernmental	3,981,958	4,270,112	3,993,809
Charges for service	919,141	931,141	607,861
Fines and forfeitures	-	-	88,621
Use of money and property	514,800	514,800	815,358
Special assessments	-	-	9,656
Miscellaneous	218,501	218,501	402,678
Refunds	-	-	72,695
Total revenues	$16,392,364	$16,792,518	$17,375,922
EXPENDITURES:			
Current:			
Public safety	$ 6,734,986	$ 7,008,361	$ 7,182,922
Public works	931,979	931,979	857,241
Health & social services	725,285	847,789	781,726
Culture & recreation	2,578,475	2,607,475	2,564,529
Community & economic development	893,428	895,778	935,514
General government	2,250,757	2,434,257	2,030,610
Capital projects	6,107,463	6,239,463	3,692,506
Total expenditures	$20,222,373	$20,965,102	$18,045,048
Excess (deficiency) of revenues over (under) expenditures	$(3,830,009)	$(4,172,584)	$ (669,126)
Other financing sources (uses):			
Issuance of general obligation bonds	$ 1,638,290	$ 1,966,290	$ 473,000
Transfers in	99,000	866,725	288,082
Transfers out	(767,725)	(260,705)	(350,651)
Total other financing sources (uses)	$ 969,565	$ 2,572,310	$ 410,431
Net change in fund balance	$ 4,799,574	$(1,600,274)	$ (258,695)
Fund balance beginning of year	-	-	8,880,821
Fund balance end of year	$ 4,799,574	$(1,600,274)	$ 8,622,126

See Notes to Financial Statements.

Variance with Amended Budget Positive (Negative)
$ 35,035
495,455
(3,210)
(276,303)
(323,280)
88,621
300,558
9,656
184,177
72,695
$ 583,404
$ (174,561)
74,738
66,063
42,946
(39,736)
403,647
2,546,957
$ 2,920,054
$ 3,503,458
$(1,493,290)
(578,643)
(89,946)
$(2,161,879)
$ 1,341,579
8,880,821
$10,222,400

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, 2008

	Original Budget	Amended Budget	Actual
REVENUES:			
Intergovernmental:			
Road use tax allocation	$3,405,001	$ 3,405,001	$2,832,573
Charges for service	-	-	10,722
Use of money and property	-	-	896
Special assessments	-	-	82,015
Miscellaneous	155,000	155,000	-
Total revenues	$3,560,001	$ 3,560,001	$2,926,206
EXPENDITURES:			
Current:			
Public works:			
Personal services	$1,031,112	$ 1,031,112	$1,082,553
Contractual	569,050	569,050	448,786
Commodities	274,639	451,639	404,691
Total public works	$1,874,801	$ 2,051,801	$1,936,030
Community and economic development:			
Personal services	$ -	$ -	$ 25,199
Contractual	-	-	12,932
Commodities	-	-	30,846
Total community and economic development	$ -	$ -	$ 68,977
Capital projects	$2,584,000	$ 2,584,000	$ 942,786
Total expenditures	$4,458,801	$ 4,635,801	$2,947,793
Excess (deficiency) of revenues over (under) expenditures	$ (898,800)	$(1,075,800)	$ (21,587)
Other financing sources (uses):			
Issuance of general obligation bonds	$1,068,600	$ 1,068,600	$1,000,000
Transfers in	96,400	96,400	96,400
Transfers out	-	(255,650)	(230,875)
Total other financing sources (uses)	$1,165,000	$ 909,350	$ 865,525
Net change in fund balance	$ 266,200	$ (166,450)	$ 843,938
Fund balance beginning of year	-	-	744,804
Fund balance end of year	**$ 266,200**	**$ (166,450)**	**$1,588,742**

See Notes to Financial Statements.

Variance with Amended Budget Positive (Negative)
$ (572,428)
10,722
896
82,015
(155,000)
$ (633,795)
$ (51,441)
120,264
46,948
$ 115,771
$ 25,199
12,932
30,846
$ 68,977
$1,641,214
$1,688,008
$1,054,213
$ (68,600)
-
24,775
$ (43,825)
$1,010,388
744,804
$1,755,192

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	Waterworks	Sewer Rental
ASSETS:		
Current assets:		
Cash	$ 1,361,741	$ 464,692
Investments (at cost)	200,000	750,000
Receivables:		
Property taxes	-	-
Special assessments - current	-	23,365
Special assesments - deferred	-	6,853
Accounts (net)	591,365	321,107
Accrued interest	12,591	540
Inventory	298,440	84,286
Due from other funds	76,924	45,000
Due from state government	-	-
Due from federal government	-	47,780
Prepaid insurance	11,335	14,424
Total current assets	$ 2,552,396	$ 1,758,047
Noncurrent assets:		
Restricted assets:		
Cash	$ 316,408	$ 327,422
Investments	1,425,000	725,000
Accrued interest	3,995	1,781
Total restricted assets	$ 1,745,403	$ 1,054,203
Property, plant and equipment:		
Land	$ 167,220	$ 316,209
Buildings	14,708,734	-
Equipment	700,314	922,168
Distribution system	29,212,739	-
Meters	941,620	-
Plant and improvements	-	13,333,736
Sewer lines and lifts	-	11,887,382
Improvements	-	-
Vehicles	476,478	772,179
Construction in progress	222,487	5,010,368
Total	$46,429,592	$32,242,042
Less accumulated depreciation	(10,547,592)	(15,767,701)
Net property, plant and equipment	$35,882,000	$16,474,341
Total noncurrent assets	$37,627,403	$17,528,544
Total assets	$40,179,799	$19,286,591

(continued)

Other	Total	Governmental Activities-Internal Service
$ 687,396	$ 2,513,829	$ 940,578
50	950,050	925,045
106,460	106,460	984,197
-	23,365	-
-	6,853	-
654,173	1,566,645	-
1,351	14,482	6,148
3,991	386,717	-
74,835	196,759	17,412
283	283	-
2,543	50,323	-
2,396	28,155	-
$ 1,533,478	$ 5,843,921	$2,873,380
$ -	$ 643,830	$ -
-	2,150,000	-
-	5,776	-
$ -	$ 2,799,606	$ -
$ 4,339,933	$ 4,823,362	$ -
1,593,988	16,302,722	-
717,270	2,339,752	67,686
-	29,212,739	-
-	941,620	-
-	13,333,736	-
3,471,967	15,359,349	-
3,035,230	3,035,230	-
1,192,544	2,441,201	85,174
1,751	5,234,606	-
$14,352,683	$93,024,317	$ 152,860
(5,462,590)	(31,777,883)	(96,799)
$ 8,890,093	$61,246,434	$ 56,061
$ 8,890,093	$64,046,040	$ 56,061
$10,423,571	$69,889,961	$2,929,441

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	Waterworks	Sewer Rental
LIABILITIES:		
Current liabilities:		
Accounts payable	$ 509,345	$ 256,881
Salaries payable	51,824	31,914
Contracts payable	-	699,777
Accrued vacation payable	72,844	54,264
Accrued interest payable	45,911	20,720
Due to other funds	74	34,814
Due to state government	11,266	-
Due to customers	60,171	-
General obligation bonds	231,931	159,651
General obligation notes	-	-
Revenue bonds	915,000	475,000
Capital leases	-	-
Prepaid interments	-	-
Unearned revenue	-	6,853
Total current liabilities	$ 1,898,366	$ 1,739,874
Long-term debt:		
General obligation bonds	$ 1,705,354	$ 3,806,514
General obligation notes	-	-
Revenue bonds	14,430,000	3,025,600
Unamortized bond discount	(104,996)	-
Total long-term debt	$16,030,358	$ 6,832,114
Total liabilities	$17,928,724	$ 8,571,988
Net assets:		
Invested in capital assets, net of related debt	$18,704,711	$ 9,007,576
Restricted for:		
Bond retirement	1,745,403	1,054,203
Unrestricted	1,800,961	652,824
Total net assets	**$22,251,075**	**$10,714,603**

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.

Other	Total	Governmental Activities-Internal Service
$ 221,415	$ 987,641	$ 680,417
84,282	168,020	5,702
52,948	752,725	-
98,152	225,260	10,975
1,693	68,324	-
188,774	223,662	96,359
2,381	13,647	-
-	60,171	-
-	391,582	-
104,895	104,895	-
-	1,390,000	-
105,480	105,480	-
40,380	40,380	-
106,216	113,069	996,301
$1,006,616	$ 4,644,856	$1,789,754
$ -	$ 5,511,868	$ -
305,885	305,885	-
-	17,455,600	-
-	(104,996)	-
$ 305,885	$23,168,357	$ -
$1,312,501	$27,813,213	$1,789,754
$8,373,833	$36,086,120	$ 56,061
-	2,799,606	-
737,237	3,191,022	1,083,626
$9,111,070	$42,076,748	**$1,139,687**
	(1,041,446)	
	$41,035,302	

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Waterworks	Sewer Rental
Operating revenues:		
Charges for service	$ 4,701,954	$ 3,058,795
Health insurance contributions	-	-
Total operating revenues	$ 4,701,954	$ 3,058,795
Operating expenses:		
Business-type activities:		
Personal service	$ 1,313,281	$ 961,200
Contractual	879,141	422,706
Commodities	761,544	386,306
Other	112,001	15,795
Depreciation	1,214,100	778,435
Amortization	12,922	-
Total operating expenses	$ 4,292,989	$ 2,564,442
Operating income (loss)	$ 408,965	$ 494,353
Nonoperating revenues (expenses):		
Property taxes	$ -	$ -
Intergovernmental	-	-
Fines and forfeitures	-	-
Use of money and property	177,533	105,960
Special assessments	-	1,471
Miscellaneous	9,553	7,553
Interest	(572,641)	(252,628)
Loss on disposal of assets	-	(12)
Total nonoperating revenues (expenses)	$ (385,555)	$ (137,656)
Income (loss) before contributions and transfers	$ 23,410	$ 356,697
Contributions and transfers:		
Transfers in	$ -	$ -
Transfers out	(20,875)	(15,875)
Capital contributions	229,255	882,154
Total contributions and transfers	$ 208,380	$ 866,279
Change in net assets	$ 231,790	$ 1,222,976
Net assets beginning of year	22,019,285	9,491,627
Net assets end of year	**$22,251,075**	**$10,714,603**

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.

Other	Total	Governmental Activities-Internal Service
$3,478,354	$11,239,103	$ 243,884
-	-	2,139,819
$3,478,354	$11,239,103	$2,383,703
$2,128,026	$ 4,402,507	$2,654,052
634,001	1,935,848	22,034
360,146	1,507,996	18,478
12,008	139,804	-
366,975	2,359,510	11,965
-	12,922	-
$3,501,156	$10,358,587	$2,706,529
$ (22,802)	$ 880,516	$ (322,826)
$ 100,873	$ 100,873	$ 802,489
2,825	2,825	-
47,112	47,112	-
62,949	346,442	70,524
-	1,471	-
86,532	103,638	-
(26,399)	(851,668)	-
-	(12)	(36)
$ 273,892	$ (249,319)	$ 872,977
$ 251,090	$ 631,197	$ 550,151
$ 271,886	$ 271,886	$ -
	(36,750)	-
-	1,111,409	-
$ 271,886	$ 1,346,545	$ -
$ 522,976	$ 1,977,742	$ 550,151
8,588,094		589,536
$9,111,070		$1,139,687
	(90,564)	
	$ 1,887,178	

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	Waterworks	Sewer Rental
Cash flows from operating activities:		
Cash received from interfund charges	$ -	$ -
Cash received from employees and others	-	-
Cash received from customers	5,004,472	3,019,006
Cash paid to employees for services	(1,302,757)	(980,295)
Cash paid to other suppliers of goods or services	(2,180,054)	(835,327)
Cash paid for health and life insurance	-	-
Rent received from operating assets	35,108	-
Proceeds from miscellaneous items	-	-
Net cash provided (used) by operating activities	$ 1,556,769	$ 1,203,384
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	$ -	$ -
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	$(1,542,560)	$(3,793,317)
Principal payments	(997,604)	(561,254)
Interest payments	(570,714)	(246,076)
Proceeds from issuance of bonds	1,339,620	3,289,400
Capital contributions	332,795	844,042
Net cash provided (used) for capital and related financing activities	$(1,438,463)	$ (467,205)
Cash flows from investing activities:		
Proceeds from sale of investments	$ 3,315,000	$ 2,475,000
Purchase of investments	(3,150,000)	(3,225,000)
Interest received	132,480	104,916
Rent received on investment property	-	-
Net cash provided (used) by investing activities	$ 297,480	$ (645,084)
Net increase (decrease) in cash	$ 415,786	$ 91,095
Cash beginning of year	1,262,363	701,019
Cash end of year	**$ 1,678,149**	**$ 792,114**
Noncash capital and financing activities:		
Capital contributions	$ (103,540)	$ 38,112

(continued)

Other	Total	Governmental Activities-Internal Service
$ -	$ -	$2,134,732
-	-	269,450
3,524,272	11,547,750	-
(2,121,680)	(4,404,732)	(156,481)
(845,304)	(3,860,685)	(42,196)
-	-	(2,494,797)
-	35,108	-
32,769	32,769	(132,523)
$ 590,057	$ 3,350,210	$ (421,815)
$ 100,792	$ 100,792	$ 802,489
$ (244,444)	$(5,580,321)	$ -
(204,706)	(1,763,564)	-
(27,050)	(843,840)	-
-	4,629,020	-
-	1,176,837	-
$ (476,200)	$(2,381,868)	$ -
$ 175,000	$ 5,965,000	$ 750,000
(75,000)	(6,450,000)	(1,350,000)
36,205	273,601	62,783
8,800	8,800	-
$ 145,005	$ (202,599)	$ (537,217)
$ 359,654	$ 866,535	$ (156,543)
327,742	2,291,124	1,097,121
$ 687,396	**$ 3,157,659**	**$ 940,578**
$ -	$ (65,428)	$ -

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	Waterworks	Sewer Rental
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$ 408,965	$ 494,353
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	1,227,022	778,435
Rental income	35,108	-
Miscellaneous income	-	-
Change in assets and liabilities:		
(Increase) decrease in receivables	(41,047)	(40,811)
(Increase) decrease in inventory	(24,538)	13,642
(Increase) decrease in due from other funds	7,589	-
(Increase) decrease in prepaid insurance	614	1,473
Increase (decrease) in accounts and contracts payable	79,879	(13,106)
Increase (decrease) in salaries payable	7,976	(1,868)
Increase (decrease) in accrued compensated absences	2,547	(17,225)
Increase (decrease) in due to other funds	(144,711)	(10,038)
Increase (decrease) in due to state government	(8,749)	-
Increase (decrease) in due to customers	6,114	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	(1,471)
Net cash provided (used) by operating activities	$1,556,769	$1,203,384

See Notes to Financial Statements.

Other	Total	Governmental Activities-Internal Service
$(22,802)	$ 880,516	$(322,826)
366,975	2,372,432	11,965
-	35,108	-
190,671	190,671	-
(1,377)	(83,235)	(175,900)
(165)	(11,061)	-
-	7,589	19,885
(132)	1,955	-
140,214	206,987	20
3,163	9,271	248
3,184	(11,494)	857
(95,581)	(250,330)	(132,243)
857	(7,892)	-
-	6,114	-
4,825	4,825	-
225	(1,246)	176,179
$590,057	$3,350,210	$(421,815)

CITY OF MASON CITY, IOWA
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	Firemen's Pension	Agency Fund
ASSETS:		
Cash	$ 2,099	$1,015
Receivables:		
Property taxes	25,000	-
Total assets	$27,099	$1,015
LIABILITIES:		
Accounts payable	$ -	$1,015
Deferred revenue	25,000	-
Total liabilities	$25,000	$1,015
NET ASSETS:		
Held in trust for pension benefits	$ 2,099	$ -

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, 2008

	Firemen's Pension
ADDITIONS:	
Property taxes	$15,370
DEDUCTIONS:	
Public safety:	
Benefits paid	12,147
Change in net assets	$ 3,223
Net assets beginning of year	(1,124)
Net assets end of year	$ 2,099

See Notes to Financial Statements.

(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 Foundation exists to support the MacNider Museum. The City has determined the Mason City Housing Authority meets the Governmental Accounting Standards Board criteria for a discretely presented component unit. The Authority's commissioners are appointed by the Mayor and approved by the Council. The Authority provides low-income housing to the citizens of Mason City. Complete financial statements of the Mason City Housing Authority may be obtained at the entity's administrative offices at 22 N. Georgia, Suite 214, Mason City, IA 50401.

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.

(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.

(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.

(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.

(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. $46,998 and $51,793 of investment income for the years ended June 30, 2008 and 2007, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2008, in proprietary and governmental funds is reported net of allowance in the amounts of $579,884 and $32,966, respectively.

(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, 2008, were due by July 1, 2007, with the first half installment being delinquent after September 30, 2007, and the second half installment being delinquent after March 31, 2008. 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 2008 levy certified on March 15, 2008, based on 2007 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2008, 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.

(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.

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.

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.

(2) Summary of Significant Accounting Policies - continued

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

Fund Equity

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

(D) Budgetary control, compliance and appropriation data

The City prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for all funds except Forest Park TIF, FEMA Tornado Shelter, HMGP Voluntary Acquisition, FMA Voluntary Acquisition, MacNider Museum Foundation special revenue funds; Cemetery Perpetual Care permanent fund and fiduciary funds. The statutory level of control is on the program level for all funds rather than at the individual fund level. The City's budget as prescribed by the Code of Iowa must contain the following:

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

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

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

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

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

(2) Summary of Significant Accounting Policies - continued

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2008 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	$ 8,439,869	$ 277,375	$ 8,717,244	$ 8,339,910
Public Works	2,886,719	177,000	3,063,719	3,278,651
Health and Social Services	776,721	129,504	906,225	805,599
Culture and Recreation	3,295,661	50,000	3,345,661	2,785,729
Community and Economic Development	2,771,987	295,350	3,067,337	1,134,548
General Government	4,555,362	183,500	4,738,862	2,134,146
Debt Service	2,862,921	150,300	3,013,221	2,372,310
Capital Projects	12,888,656	-	12,888,656	7,859,310
Business Type	13,565,355	3,756,805	17,322,160	11,210,255
Total	$52,043,251	$5,019,834	$57,063,085	$39,920,458

The fiscal year 2008 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, 2008 unbilled utility receivables for the Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds were included in accounts receivable and totaled approximately $337,260, $218,458, $20,547 and $71,256, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2008 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the City or the City's agent in the City's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments are 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 $1,641,730 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

(3) **Cash and Investments** - continued

The carrying amount and fair value of the City's investments at June 30, 2008 are as follows:

	Fair Value
U.S. Government securities	$ 5,500,106
Equity securities	668,756
	$ 6,168,862
Deposits classified as investments:	
Iowa Public Agency Investment Trust	1,641,730
Nonnegotiable certificates of deposit	6,929,343
Total	$14,739,935
Less: Restricted investments	2,592,350
Total unrestricted investments per balance sheet	$12,147,585

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

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

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

(4) **Interfund Receivable and Payable Balances**

Interfund balances at June 30, 2008 consisted of the following amounts:

Fund	Interfund Receivable	Interfund Payable
Governmental:		
General	$ 507,946	$ 77,173
Road Use Tax	10,232	259,781
Nonmajor funds	343,278	418,652
Internal Service funds	17,412	96,359
Total governmental	$ 878,868	$ 851,965
Business-Type:		
Waterworks	$ 76,924	$ 74
Sewer Rental	45,000	34,814
Nonmajor funds	74,835	188,774
Total business-type	$ 196,759	$ 223,662
Total due to/from other funds	$1,075,627	$1,075,627

(4) Interfund Receivable and Payable Balances - continued

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of $479,817. 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, 2008 were:

Fund	Transfers In	Transfers Out
Governmental:		
General	$ 288,082	$ 350,651
Road use tax	96,400	230,875
Nonmajor funds	1,077,808	1,115,900
Internal service funds	-	-
Total governmental	$1,462,290	$1,697,426
Business-Type:		
Waterworks	$ -	$ 20,875
Sewer rental	-	15,875
Nonmajor funds	271,886	-
Total business-type	$ 271,886	$ 36,750
Total transfers	$1,734,176	$1,734,176

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

(6) Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,634,356	$ -	$ -	$ 2,634,356
Construction in progress	10,405,564	6,090,653	11,898,753	4,597,464
Total capital assets, not being depreciated	$13,039,920	$ 6,090,653	$11,898,753	$ 7,231,820
Capital assets, being depreciated:				
Buildings and structures	$ 8,975,311	$ 636,886	$ -	$ 9,612,197
Improvements other than buildings	9,458,354	9,331,728	141,874	18,790,082
Machinery and equipment	4,752,653	660,570	143,224	5,271,349
Vehicles	7,517,605	197,373	274,791	7,440,187
Infrastructure	55,580,320	1,821,684	-	57,402,004
Total capital assets being depreciated	$86,284,243	$12,648,241	$ 416,665	$98,515,819
Less accumulated depreciation for:				
Buildings and structures	$ 5,849,292	$ 210,033	$ -	$ 6,059,325
Improvements other than buildings	4,106,640	465,178	-	4,571,818
Machinery and equipment	3,221,564	360,223	137,913	3,443,874
Vehicles	4,691,537	484,027	210,915	4,964,649
Infrastructure	17,871,901	1,860,246	-	19,732,147
Total accumulated depreciation	$35,740,934	$ 3,379,707	$ 348,828	$38,771,813
Total capital assets, being depreciated, net	$50,543,309	$ 9,268,534	$ 67,837	$59,744,006
Governmental activities capital assets, net	$63,583,229	$15,359,187	$11,966,590	$66,975,826

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

Governmental activities:	
Public safety	$ 354,403
Public works	2,462,122
Health and social services	9,453
Culture and recreation	419,667
Community and economic development	70,419
General government	51,678
Internal service funds depreciation is charged to various functions based on their usage of assets	11,965
Total depreciation expense—governmental activities	$3,379,707

(6) Capital Assets - continued

Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 4,823,362	$ -	$ -	$ 4,823,362
Construction in progress	3,242,235	5,668,916	3,676,545	5,234,606
Total capital assets, not being depreciated	$ 8,065,597	$5,668,916	$3,676,545	$10,057,968
Capital assets, being depreciated:				
Buildings and structures	$16,302,722	$ -	$ -	$16,302,722
Improvements other than buildings	3,035,230	-	-	3,035,230
Machinery and equipment	2,219,385	201,684	81,317	2,339,752
Vehicles	2,417,853	44,440	21,092	2,441,201
Collection and distribution systems	55,071,601	3,796,253	20,410	58,847,444
Total capital assets being depreciated	$79,046,791	$4,042,377	$ 122,819	$82,966,349
Less accumulated depreciation for:				
Buildings and structures	$ 2,101,788	$ 402,444	$ -	$ 2,504,232
Improvements other than buildings	2,771,200	25,315	-	2,796,515
Machinery and equipment	1,485,417	134,179	81,280	1,538,316
Vehicles	1,271,163	171,713	21,092	1,421,784
Collection and distribution systems	21,911,613	1,625,833	20,410	23,517,036
Total accumulated depreciation	$29,541,181	$2,359,484	$ 122,782	$31,777,883
Total capital assets, being depreciated, net	$49,505,610	$1,682,893	$ 37	$51,188,466
Business-type activities capital assets, net	$57,571,207	$7,351,809	$3,676,582	$61,246,434

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

Business-type activities:	
Water works	$1,214,100
Sewer rental	778,410
Other business-type funds	366,974
Total depreciation expense—business-type activities	$2,359,484

(7) Pension and Retirement Systems

The City maintains three 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 3.90% of their annual salary and the City is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 was $436,724, $403,757, and $427,477 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, 2008, members contributed 9.35% of regular earnable compensation and the City contributed 25.48% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2008, 2007 and 2006 was $1,139,794, $1,105,526, and $1,050,872 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, 2008, there is one individual receiving benefits in the fire plan.

(7) **Pension and Retirement Systems** - continued

A summary of financial information relating to the plan as of June 30, 2008 is as follows:

	Fire
Cash and investments	$ 2,099
Fund equity	2,099
Pensions paid	12,147

(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

	Revenues			Expenses
Fiscal Year	Investment Income	Property Taxes	Totals	Benefits
2008	$ -	$15,370	$15,370	$12,147
2007	210	-	210	11,745
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
3.65% to 3.90% Taxable General Obligation bond payable, issued 9/1/06	$2,625,000	$ -
3.0% to 3.6% Essential Corporate Purpose bond payable, issued 10/1/04	1,651,550	1,753,450

(9) **Long-Term Debt** - continued

	Governmental	Business-Type
3.89% Taxable General Obligation Capital Loan note payable, issued 12/1/06	$ -	$ 127,500
2.95% General Obligation Capital Loan note payable, issued 5/1/08	700,000	-
3.3% General Obligation Capital Loan note payable, issued 8/15/05	313,671	-
4.0% to 5.6% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 4/01/03	1,520,000	-
3.2% to 4.05% Corporate Purpose bond payable, issued 10/01/02	2,725,000	-
3.65% Taxable General Obligation bond payable, issued 9/4/07	1,350,000	2,570,000
5.89% Taxable General Obligation Capital Loan note issued 9/1/07	320,000	-
3.0% to 4.0% Essential Corporate Purpose bond payable, issued 10/1/03	775,000	-
5.0% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 7/3/03	207,044	-
3.0% Sewer Revenue bond payable, issued 12/2/92	-	930,000
5.5% Sewer Revenue bond payable, issued 6/1/95	-	315,000
3.0% Water Revenue Capital Loan Note payable, issued 2/26/03, callable 6/01/13 at par	-	12,260,004
3.5% to 3.6% Essential Corporate Purpose bond payable, issued 11/1/05	650,000	1,580,000
4.125% General Obligation Capital loan note payable, issued 5/5/04	-	283,280
3.72% Capital Lease payable, issued 5/26/04	-	105,480
4.0% Water Revenue bond payable, issued 9/1/06	-	1,635,000
3.9% Sewer Revenue bond payable, issued 9/1/06	-	1,490,000
0.0% Sewer Revenue Capital Loan note payable, issued 2/23/07	-	765,600
4.0% to 4.55% Water Revenue bond payable, Issued 9/1/07	-	1,345,000
Totals	$12,837,265	$25,160,314

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 $17,424,451 of general obligation bonds outstanding as of June 30, 2008. Unmatured general obligation bonds to be paid by governmental funds totaled $11,110,221. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled $6,314,230.

(9) Long-Term Debt - continued

During the year ended June 30, 2008, the City issued $3,920,000 of general obligation bonds and $1,020,000 of general obligation capital loan notes. These bonds were used to finance the construction, reconstruction and repair of various public works, parks and utility-related improvements.

On June 17, 2008, the City awarded the sale of $3,030,000 to the most favorable bidder and received a 1% advance on the proceeds in the amount of $30,300. The bond issue closing was on July 17, 2008. Due to the long-term nature of the underlying issuance of bonds, the advance is recorded as a long-term liability.

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 $18,740,604 of revenue bonds outstanding as of June 30, 2008, payable through 2023. 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 $2,059,264. The City has reserved $2,799,606 as of June 30, 2008. The combined principal and interest paid for the current year and total customer net revenues were $1,846,863 and $3,210,833, respectively, amounting to approximately 57% of net revenues.

On February 23, 2007, the City issued $879,400 Sewer Revenue Capital Loan notes through the State of Iowa Revolving Fund to finance waste water treatment plant improvements. The project is currently in the planning and design phase, which qualifies the City for a 0.0% interim loan that may be rolled into the future long-term State of Iowa Revolving Fund loan. Total draws on this loan as of June 30, 2008, were $765,600.

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, 2008, there were $1,727,044 of tax increment financing bonds outstanding.

(9) **Long-Term Debt** - continued

Long-term liability activity for the year ended June 30, 2008, was as follows:

	July 1, 2007	New Issues	Payments	June 30, 2008	Due Within One Year
General obligation:					
Governmental	$10,186,363	$2,370,000	$1,446,142	$11,110,221	$1,502,089
Business-type activities:					
Water	2,159,889	-	222,604	1,937,285	231,931
Sewer	1,507,419	2,570,000	111,254	3,966,165	159,651
Ambulance	323,735	-	40,455	283,280	42,395
Storm sewer	190,000	-	62,500	127,500	62,500
Revenue:					
Governmental tax increment financing	2,072,975	-	345,931	1,727,044	157,450
Business-type:					
Water	14,657,081	1,357,923	775,000	15,240,004	915,000
Sewer	3,231,200	719,400	450,000	3,500,600	475,000
Total	$34,328,662	$7,017,323	$3,453,886	$37,892,099	$3,546,016

At June 30, 2008, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation - real property	$1,558,532,458
Debt limit - 5% of total valuation	$77,926,623
Debt applicable to debt limit:	
General obligation bonded debt outstanding	15,643,215
Legal debt margin	$62,283,408

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

	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 1,502,089	$ 396,284	$ 496,477	$ 230,803	$ 1,998,566	$ 627,087
2010	1,493,268	344,741	605,894	213,850	2,099,162	558,591
2011	1,540,544	293,841	560,459	194,098	2,101,003	487,939
2012	1,445,244	240,282	672,676	174,219	2,117,920	414,501
2013	1,492,520	188,916	692,397	150,142	2,184,917	339,058
2014-2018	3,636,556	350,252	2,226,327	407,802	5,862,883	758,054
2019-2023	-	-	1,060,000	133,205	1,060,000	133,205
	$11,110,221	$1,814,316	$6,314,230	$1,504,119	$17,424,451	$3,318,435

	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 157,450	$ 87,625	$ 1,390,000	$ 594,623	$ 1,547,450	$ 682,248
2010	164,377	80,898	2,205,600	529,317	2,369,977	610,215
2011	171,374	73,401	1,490,000	498,235	1,661,374	571,636
2012	183,471	65,129	1,291,000	447,370	1,474,471	512,499
2013	190,372	55,932	1,343,000	403,280	1,533,372	459,212
2014-2018	860,000	145,572	6,382,000	1,332,865	7,242,000	1,478,437
2019-2023	-	-	4,744,000	435,360	4,744,000	435,360
	$1,727,044	$508,557	$18,845,600	$4,241,050	$20,572,644	$4,749,607

(9) Long-Term Debt - continued

Changes in Other Long-Term Liabilities

Other long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental activities:

	July 1, 2007	New Issues	Payments	June 30, 2008	Due Within One Year
Governmental activities:					
Settlement note payable	$ 4,889	$ -	$ 4,889	$ -	$ -
Business-type activities:					
Capital leases	207,231	-	101,751	105,480	105,480
	$212,120	$ -	$106,640	$105,480	$105,480

Industrial Revenue Bonds

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

As of June 30, 2008, 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, 2008, the City had not drawn $113,800 of authorized sewer revenue debt from the Iowa Department of Natural Resources sewer revolving debt fund. The City anticipates drawing the remaining debt during the subsequent years. The debt is being used to finance the wastewater treatment plant projects.

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. As of June 30, 2008, the refunded bonds have matured and are considered retired.

(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 $2,804,000 for the year ended June 30, 2008 are covered by commercial insurance.

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

The City has adopted Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Included in the claims liability at June 30, 2008 is $459,600 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2008 is as follows:

	Beginning of fiscal year liability	Current year claims and changes in estimates	Claim payments	End of fiscal year liability
Current year	$655,026	$2,253,670	$2,247,489	$661,207
Prior year	917,147	1,960,352	2,222,473	655,026

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	$213,253
Gateway TIF	7,006
ESGP	26,019
CEBA	275
FEMA Tornado Shelter	655
Internal Service Fund:	
Central Services	42,333

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

The deficit balances in the ESGP, CEBA and FEMA Tornado Shelter funds will be eliminated by interfund transfers from the General Fund.

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

(13) Termination Benefits

As of June 30, 2008, the City had 28 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.

(14) Commitments

At June 30, 2008, the following construction and purchase commitments had been made:

	Total Contracts	Costs Incurred
Sanitary sewer projects	$14,407,967	$3,216,372
Street projects	3,284,780	1,156,123
Airport projects	3,028,497	1,992,880
Water projects	665,334	215,896
Library projects	620,000	33,933
Park projects	447,228	405,689
Other	127,400	-
Total	$22,581,206	$7,020,893

(15) Related Party Transactions

The City had material business transactions between the City and City officials, totaling $6,429,245 during the year ended June 30, 2008 of which $6,340,097 was competitively bid.

(16) Subsequent Events

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

Parks and recreation projects	$ 1,662,959
Street projects	7,806,711
Sanitary sewer projects	1,261,900
Museum projects	223,700
Fire projects	184,661
Other projects	84,450
	$11,224,381

The City issued $3,030,000 of general obligation notes dated July 1, 2008 payable over a ten-year period at interest rates ranging from 3.25% to 4.10%.

The City sold $3,500,000 of general obligation bonds dated November 1, 2008 payable over a ten-year period at interest rates ranging from 3.20% to 4.35%.

The City was awarded a $9,000,000 Vision Iowa contract with the State of Iowa to assist in renovating the Park Inn Hotel and the Mason City Public Library, as well as parking and streetscape improvements.

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

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

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.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the City for the fiscal year ended June 30, 2009. This statement establishes standards on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the City for the fiscal year ended June 30, 2010. This statement establishes accounting and financial reporting standards for intangible assets, including easements, water rights, timber rights, patents, trademarks and computer software.

(18) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2008, disbursements in the Public Works program exceeded the amount budgeted.

SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008

	ESGP	ADDI	Housing
ASSETS:			
Cash	$ -	$27,896	$7,101
Investments	-	-	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	-	-
Special assessments - current	-	-	-
Special assesments - deferred	-	-	-
Due from other funds	-	-	-
Due from state government	-	-	-
Due from federal government	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	$ -	$27,896	$7,101
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	$ 13	$ 2	$ 52
Contracts payable	-	-	-
Accrued compensated absences	-	-	-
Due to other funds	26,006	-	-
Due to state government	-	-	-
Unearned revenue	-	-	-
Total liabilities	$ 26,019	$ 2	$ 52
Fund balance:			
Reserved for:			
Museum funding	$ -	$ -	$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	(26,019)	27,894	7,049
Total fund balance	$(26,019)	$27,894	$7,049
Total liabilities and fund balance	$ -	$27,896	$7,101

(continued)

Community Growth TIF	Westside TIF	Forest Park TIF	Gateway TIF
$139,228	$ -	$10,839	$ 599
-	-	-	-
9,144	-	-	1,215
51	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$148,423	$ -	$10,839	$ 1,814
$ 41,479	$ -	$ 375	$ 8,820
-	-	-	-
-	-	-	-
-	213,253	-	-
-	-	-	-
-	-	-	-
$ 41,479	$ 213,253	$ 375	$ 8,820
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
106,944	(213,253)	10,464	(7,006)
$106,944	$(213,253)	$10,464	$(7,006)
$148,423	$ -	$10,839	$ 1,814

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008

	Police Retirement	Fire Retirement	Employee Retirement
ASSETS:			
Cash	$ 145,707	$ 154,822	$312,982
Investments	2,908,446	2,258,808	-
Receivables:			
Property taxes	465,829	303,923	498,056
Accrued interest	5,310	4,326	-
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Due from other funds	-	-	-
Due from state government	-	-	-
Due from federal government	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	$3,525,292	$2,721,879	$811,038
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	$ 21,780	$ 16,244	$ 17,381
Contracts payable	-	-	-
Accrued compensated absences	-	-	-
Due to other funds	-	-	-
Due to state government	-	-	-
Unearned revenue	460,000	300,000	490,368
Total liabilities	$ 481,780	$ 316,244	$507,749
Fund balance:			
Reserved for:			
Museum funding	$ -	$ -	$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	3,043,512	2,405,635	303,289
Total fund balance	$3,043,512	$2,405,635	$303,289
Total liabilities and fund balance	$3,525,292	$2,721,879	$811,038

(continued)

Library Trust	MacNider Museum Foundation	Other Special Revenue	Total Special Revenue	Debt Service
$266,355	$272,575	$46,105	$1,384,209	$ 427,868
362,039	584,559	-	6,113,852	-
-	-	-	1,278,167	1,452,050
572	-	-	10,259	-
-	-	-	-	28,141
-	-	-	-	14,890
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$628,966	$857,134	$46,105	$8,786,487	$1,922,949
$ 352	$ -	$11,327	$117,825	$ 4,527
-	-	-	-	-
-	-	-	-	-
-	-	1,091	240,350	103,541
-	-	413	413	-
-	-	-	1,250,368	1,452,078
$ 352	$ -	$12,831	$1,608,956	$1,560,146
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	362,803
628,614	857,134	33,274	7,177,531	-
$628,614	$857,134	$33,274	$7,177,531	$ 362,803
$628,966	$857,134	$46,105	$8,786,487	$1,922,949

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008

	Local Option Capital Improvement	19th Street SW Overpass	Total Capital Projects
ASSETS:			
Cash	$2,194,174	$1,225,561	$3,419,735
Investments	100,000	-	100,000
Receivables:			
Property taxes	-	-	-
Accrued interest	3,121	3,303	6,424
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Due from other funds	239,633	-	239,633
Due from state government	204,547	-	204,547
Due from federal government	56,914	-	56,914
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	$2,798,389	$1,228,864	$4,027,253
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	$ 66,841	$ 25,182	$ 92,023
Contracts payable	1,605	46,597	48,202
Accrued compensated absences	-	4,375	4,375
Due to other funds	-	-	-
Due to state government	-	-	-
Unearned revenue	-	-	-
Total liabilities	$ 68,446	$ 76,154	$ 144,600
Fund balance:			
Reserved for:			
Museum funding	$ -	$ -	$ -
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved	2,729,943	1,152,710	3,882,653
Total fund balance	$2,729,943	$1,152,710	$3,882,653
Total liabilities and fund balance	$2,798,389	$1,228,864	$4,027,253

See Accompanying Independent Auditor's Report.

Cemetery Perpetual Care	MacNider Museum Trust	Total Permanent	Total Nonmajor Governmental
$ -	$290,414	$ 290,414	$ 5,522,226
-	633,638	633,638	6,847,490
-	-	-	2,730,217
-	6,021	6,021	22,704
-	-	-	28,141
-	-	-	14,890
103,645	-	103,645	343,278
-	-	-	204,547
-	-	-	56,914
10,426	-	10,426	10,426
442,350	-	442,350	442,350
2,550	-	2,550	2,550
$558,971	$930,073	$1,489,044	$16,225,734
$ -	$ 25,286	$ 25,286	$ 239,661
-	-	-	48,202
-	-	-	4,375
74,761	-	74,761	418,652
-	-	-	413
-	-	-	2,702,446
$ 74,761	$ 25,286	$ 100,047	$ 3,413,749
$ -	$633,638	$ 633,638	$ 633,638
455,442	-	455,442	455,442
-	-	-	362,803
28,768	271,149	299,917	11,360,101
$484,210	$904,787	$1,388,997	$12,811,984
$558,971	$930,073	$1,489,044	$16,225,733

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	ESGP	ADDI	Housing
REVENUES:			
Property taxes	$ -	$ -	$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	51,314	-
Charges for service	-	-	-
Use of money and property	-	-	-
Special assessments	-	-	-
Miscellaneous	3,323	-	13,227
Total revenues	$ 3,323	$51,314	$13,227
EXPENDITURES:			
Current:			
Public safety	$ -	$ -	$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	46,270	54,824	451
General government	-	-	-
Capital projects	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	$ 46,270	$54,824	$ 451
Excess (deficiency) of revenues over (under) expenditures	$(42,947)	$(3,510)	$12,776
Other financing sources (uses):			
Issuance of general obligation bonds	$ -	$ -	$ -
Premium/discount on bonds	-	-	-
Transfers in	25,665	26,705	50,939
Transfers out	-	-	(25,000)
Total other financing sources (uses)	$ 25,665	$26,705	$25,939
Net change in fund balances	$(17,282)	$23,195	$38,715
Fund balance beginning of year	(8,737)	4,699	(31,666)
Fund balance end of year	**$(26,019)**	**$27,894**	**$ 7,049**

(continued)

Community Growth TIF	Westside TIF	Forest Park TIF	Gateway TIF
$ -	$ -	$ -	$ -
1,173,892	8,387	-	366,886
-	-	-	-
-	-	-	-
-	-	-	-
7,583	90	23	-
-	-	-	-
2,120	-	-	-
$1,183,595	$ 8,477	$ 23	$366,886
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	10,000	-	-
-	-	-	-
544,094	-	1,774	374,297
-	-	-	-
-	-	-	-
-	-	-	-
$ 544,094	$ 10,000	$ 1,774	$374,297
$ 639,501	$ (1,523)	$(1,751)	$ (7,411)
$ 175,000	$ -	$ -	$ -
-	-	-	-
-	-	-	-
(959,107)	-	-	-
$ (784,107)	$ -	$ -	$ -
$ (144,606)	$ (1,523)	$(1,751)	$ (7,411)
251,550	(211,730)	12,215	405
$ 106,944	**$(213,253)**	**$10,464**	**$ (7,006)**

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	Police Retirement	Fire Retirement	Employee Retirement
REVENUES:			
Property taxes	$ 508,577	$ 342,290	$477,325
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Use of money and property	207,469	151,683	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Total revenues	$ 716,046	$ 493,973	$477,325
EXPENDITURES:			
Current:			
Public safety	$ 598,297	$ 430,403	$128,288
Public works	-	-	35,794
Health and social services	-	-	23,873
Culture and recreation	-	-	91,847
Community & economic development	-	-	15,929
General government	-	-	103,536
Capital projects	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	$ 598,297	$ 430,403	$399,267
Excess (deficiency) of revenues over (under) expenditures	$ 117,749	$ 63,570	$ 78,058
Other financing sources (uses):			
Issuance of general obligation bonds	$ -	$ -	$ -
Premium/discount on bonds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	$ -	$ -	$ -
Net change in fund balances	$ 117,749	$ 63,570	$ 78,058
Fund balance beginning of year	2,925,763	2,342,065	225,231
Fund balance end of year	$3,043,512	$2,405,635	$303,289

(continued)

Library Trust	MacNider Museum Foundation	Other Special Revenue	Total Special Revenue	Debt Service
$ -	$ -	$ -	$1,328,192	$ 1,221,907
-	-	-	1,549,165	-
-	-	-	-	-
-	-	-	51,314	-
1,943	-	44,840	46,783	-
37,687	(21,576)	17,825	400,784	28,240
-	-	-	-	17,256
13,762	-	18,103	50,535	-
$ 53,392	$(21,576)	$80,768	$3,426,773	$ 1,267,403
$ -	$ -	$ -	$1,156,988	$ -
-	-	-	35,794	-
-	-	-	23,873	-
21,174	53,958	50,538	217,517	-
-	-	2,583	130,057	-
-	-	-	103,536	-
2,009	-	31,417	953,591	-
-	-	-	-	1,792,073
-	-	-	-	530,122
-	-	-	-	50,115
$ 23,183	$ 53,958	$84,538	$2,621,356	$ 2,372,310
$ 30,209	$(75,534)	$(3,770)	$ 805,417	$(1,104,907)
$ -	$ -	$ -	$ 175,000	$ 22,000
-	-	-	-	(23,422)
-	-	10,392	113,701	964,107
-	-	(1,106)	(985,213)	-
$ -	$ -	$ 9,286	$ (696,512)	$ 962,685
$ 30,209	$(75,534)	$ 5,516	$ 108,905	$ (142,222)
598,405	932,668	27,758	7,068,626	505,025
$628,614	$857,134	$33,274	$7,177,531	$ 362,803

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	Local Option Capital Improvement	19th Street SW Overpass	Total Capital Projects
REVENUES:			
Property taxes	$ -	$ -	$ -
TIF revenues	-	-	-
Other taxes	1,865,326	-	1,865,326
Intergovernmental	184,693	-	184,693
Charges for services	-	-	-
Use of money and property	65,847	60,891	126,738
Special assessments	-	-	-
Miscellaneous	12,150	-	12,150
Total revenues	$2,128,016	$ 60,891	$2,188,907
EXPENDITURES:			
Current:			
Public safety	$ -	$ -	$ -
Public works	23	449,563	449,586
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	-	-	-
General government	-	-	-
Capital projects	2,198,960	71,509	2,270,469
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	$2,198,983	$ 521,072	$2,720,055
Excess (deficiency) of revenues over (under) expenditures	$ (70,967)	$ (460,181)	$ (531,148)
Other financing sources (uses):			
Issuance of general obligation bonds	$ 730,300	$ -	$ 730,300
Premium/discount on bonds	-	-	-
Transfers in	-	-	-
Transfers out	(105,400)	-	(105,400)
Total other financing sources (uses)	$ 624,900	$ -	$ 624,900
Net change in fund balances	$ 553,933	$ (460,181)	$ 93,752
Fund balance beginning of year	2,176,010	1,612,891	3,788,901
Fund balance end of year	$2,729,943	$1,152,710	$3,882,653

See Accompanying Independent Auditor's Report.

Cemetery Perpetual Care	MacNider Museum Trust	Total Permanent	Total Nonmajor Governmental
$ -	$ -	$ -	$ 2,550,099
-	-	-	1,549,165
-	-	-	1,865,326
-	-	-	236,007
8,430	-	8,430	55,213
-	36,259	36,259	592,021
-	-	-	17,256
-	31,797	31,797	94,482
$ 8,430	$ 68,056	$ 76,486	$ 6,959,569
$ -	$ -	$ -	$ 1,156,988
-	-	-	485,380
-	-	-	23,873
-	3,683	3,683	221,200
-	-	-	130,057
-	-	-	103,536
-	-	-	3,224,060
-	-	-	1,792,073
-	-	-	530,122
-	-	-	50,115
$ -	$ 3,683	$ 3,683	$ 7,717,404
$ 8,430	$ 64,373	$ 72,803	$ (757,835)
$ -	$ -	$ -	$ 927,300
-	-	-	(23,422)
-	-	-	1,077,808
-	(25,287)	(25,287)	(1,115,900)
$ -	$(25,287)	$ (25,287)	$ 865,786
$ 8,430	$ 39,086	$ 47,516	$ 107,951
475,780	865,701	1,341,481	12,704,033
$484,210	$904,787	$1,388,997	$12,811,984

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Miscellaneous	$140,000	$ 3,323	$(136,677)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	$140,000	$ 46,270	$ 93,730
Excess (deficiency) of revenues over (under) expenditures	$ -	$(42,947)	$ (42,947)
Other financing sources:			
Transfers in	-	25,665	25,665
Net change in fund balance	-	17,282	17,282
Fund balance beginning of year	-	(8,737)	(8,737)
Fund balance end of year	**$ -**	**$(26,019)**	**$ (26,019)**

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental:			
Federal assistance	$168,500	$51,314	$(117,186)
EXPENDITURES:			
Current:			
Community and economic development:			
Personal service	$ 10,205	$ 1,615	$ 8,590
Contractual	185,000	53,209	131,791
Total expenditures	$195,205	$54,824	$ 140,381
Excess (deficiency) of revenues over (under) expenditures	$(26,705)	$(3,510)	$ 23,195
Other financing uses:			
Transfers in	26,705	26,705	-
Net change in fund balance	$ -	$23,195	$ 23,195
Fund balance beginning of year	-	4,699	4,699
Fund balance end of year	$ -	$27,894	$ 27,894

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental:			
Entitlement funds	$347,750	$ -	$(347,750)
Miscellaneous	30,000	13,227	(16,773)
Total revenues	$377,750	$13,227	$(364,523)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	$ 22,750	$ 399	$ 22,351
Contractual	355,000	52	354,948
Total expenditures	$377,750	$ 451	$ 377,299
Excess (deficiency) of revenues over (under) expeditures	$ -	$12,776	$ 12,776
Other financing sources (uses):			
Transfers in	$ -	$50,939	$ 50,939
Transfers out	-	(25,000)	(25,000)
Total other financing sources (uses)	$ -	$25,939	$ 25,939
Net change in fund balance	$ -	$38,715	$ 38,715
Fund balance beginning of year	-	(31,666)	(31,666)
Fund balance end of year	$ -	$ 7,049	$ 7,049

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	$1,361,596	$1,173,892	$(187,704)
Use of money and property	-	7,583	7,583
Miscellaneous	-	2,120	2,120
Total revenues	$1,361,596	$1,183,595	$(178,001)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	$ 255,620	$ -	$ 255,620
Capital projects	153,000	544,094	(391,094)
Total expenditures	$ 408,620	$ 544,094	$(135,474)
Excess (deficiency) of revenues over (under) expenditures	$ 952,976	$ 639,501	$(313,475)
Other financing sources (uses):			
Issuance of bonds	$ -	$ 175,000	$ 175,000
Transfers out	(952,976)	(959,107)	(6,131)
Total other financing sources (uses)	$ (952,976)	$ (784,107)	$ 168,869
Net change in fund balance	$ -	$ (144,606)	$(144,606)
Fund balance beginning of year	-	251,550	251,550
Fund balance end of year	$ -	$ 106,944	$ 106,944

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	$10,000	$ 8,387	$ (1,613)
Charges for service	-	-	-
Use of money and property	-	90	90
Total revenues	$10,000	$ 8,477	$ (1,523)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	$10,000	$ 10,000	$ -
Net change in fund balance	$ -	$ (1,523)	$ (1,523)
Fund balance beginning of year	-	(211,730)	(211,730)
Fund balance end of year	**$ -**	**$(213,253)**	**$(213,253)**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
GATEWAY TIF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	$371,836	$366,886	$(4,950)
EXPENDITURES:			
Current:			
Capital projects	371,836	374,297	(2,461)
Net change in fund balance	$ -	$ (7,411)	$(7,411)
Fund balance beginning of year	-	405	405
Fund balance end of year	$ -	$ (7,006)	$(7,006)

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property taxes	$507,000	$ 508,577	$ 1,577
Use of money and property:			
Interest on investments	140,000	207,469	67,469
Total revenues	$647,000	$ 716,046	$ 69,046
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	$647,000	$ 598,297	$ 48,703
Net change in fund balance	$ -	$ 117,749	$ 117,749
Fund balance beginning of year	-	2,925,763	2,925,763
Fund balance end of year	$ -	$3,043,512	$3,043,512

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property taxes	$341,229	$ 342,290	$ 1,061
Use of money and property:			
Interest on investments	105,000	151,683	46,683
Total revenues	$446,229	$ 493,973	$ 47,744
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	$446,229	$ 430,403	$ (15,826)
Net change in fund balance	$ -	$ 63,570	$ 63,570
Fund balance beginning of year	-	2,342,065	2,342,065
Fund balance end of year	$ -	$2,405,635	$2,405,635

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property taxes	$477,480	$477,325	$ (155)
EXPENDITURES:			
Current:			
Public safety	$158,249	$128,288	$ 29,961
Public works	46,614	35,794	10,820
Health & social services	21,493	23,873	(2,380)
Culture & recreation	95,519	91,847	3,672
Community & economic development	32,000	15,929	16,071
General government	123,605	103,536	20,069
Total expenditures	$477,480	$399,267	$ 78,213
Net change in fund balance	$ -	$ 78,058	$ 78,058
Fund balance beginning of year	-	225,231	225,231
Fund balance end of year	$ -	$303,289	$303,289

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Charges for service	$ -	$ 1,943	$ 1,943
Use of money and property	10,000	37,687	27,687
Contributions	-	11,681	11,681
Miscellaneous	24,000	2,081	(21,919)
Total revenues	$34,000	$ 53,392	$ 19,392
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	$11,000	$ 2,725	$ 8,275
Commodities	7,000	18,449	(11,449)
Total culture & recreation	$18,000	$ 21,174	$ (3,174)
Capital projects	16,000	2,009	13,991
Total expenditures	$34,000	$ 23,183	$ 10,817
Net change in fund balance	$ -	$ 30,209	$ 30,209
Fund balance beginning of year	-	598,405	598,405
Fund balance end of year	$ -	$628,614	$628,614

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental:			
Entitlement funds	$404,750	$ -	$(404,750)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	$ 26,500	$ 275	$ 26,225
Contractual	378,250	-	378,250
Total expenditures	$404,750	$ 275	$ 404,475
Net change in fund balance	$ -	$(275)	$ (275)
Fund balance beginning of year	-	-	-
Fund balance end of year	$ -	$(275)	$ (275)

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Miscellaneous	$6,000	$ -	$(6,000)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	$ -	$ 1,641	$(1,641)
Capital projects	6,000	-	6,000
Total expenditures	$6,000	$ 1,641	$ 4,359
Net change in fund balance	$ -	$(1,641)	$(1,641)
Fund balance beginning of year	-	1,641	1,641
Fund balance end of year	$ -	$ -	$ -

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Charges for service	$ -	$11,056	$11,056
Use of money and property	-	15,700	15,700
Miscellaneous	33,000	1,015	(31,985)
Total revenues	$33,000	$27,771	$(5,229)
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	$ -	$ 1,444	$(1,444)
Contractual	2,800	633	2,167
Commodities	15,000	18,039	(3,039)
Other	21,500	-	21,500
Total culture & recreation	$39,300	$20,116	$19,184
Capital projects	-	3,195	(3,195)
Total expenditures	$39,300	$23,311	$15,989
Net change in fund balance	$(6,300)	$ 4,460	$10,760
Fund balance beginning of year	-	6,191	6,191
Fund balance end of year	$(6,300)	$10,651	$16,951

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Charges for service	$ -	$33,784	$ 33,784
Use of money and property	-	2,124	2,124
Contributions	-	15,000	15,000
Miscellaneous	68,019	689	(67,330)
Total revenues	$68,019	$51,597	$(16,422)
EXPENDITURES:			
Current			
Culture & recreation:			
Contractual	$ 6,850	$ 7,286	$ (436)
Commodities	24,000	23,137	863
Total culture & recreation	$30,850	$30,423	$ 427
Capital projects	31,800	28,220	3,580
Total expenditures	$62,650	$58,643	$ 4,007
Net change in fund balance	$ 5,369	$(7,046)	$(12,415)
Fund balance beginning of year	-	22,852	22,852
Fund balance end of year	$ 5,369	$15,806	$ 10,437

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
LHAP 2000 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental:			
Miscellaneous	$10,000	$ 1,400	$(8,600)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	$ -	$ 12	$ 12
Commodities	10,000	-	(10,000)
Total expenditures	$10,000	$ 12	$(9,988)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 1,388	$ 1,388
Other financing uses:			
Transfers in	-	9,286	9,286
Net change in fund balance	$ -	$10,674	$10,674
Fund balance beginning of year	-	(3,486)	(3,486)
Fund balance end of year	$ -	$ 7,188	$ 7,188

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property tax	$ 1,219,002	$ 1,221,907	$ 2,905
Use of money and property	5,000	28,240	23,240
Special assessments	-	17,256	17,256
Total revenues	$ 1,224,002	$ 1,267,403	$ 43,401
EXPENDITURES:			
Debt service:			
Principal redemption	$ 2,855,521	$ 1,792,073	$1,063,448
Interest payments	-	530,122	(530,122)
Contractual	157,700	50,115	107,585
Total debt service	$ 3,013,221	$ 2,372,310	$ 640,911
Excess (deficiency) of revenues over (under) expenditures	$(1,789,219)	$(1,104,907)	$ 684,312
Other financing sources:			
Issuance of general obligation bonds	$ -	$ 22,000	$ 22,000
Discount on bonds	-	(23,422)	(23,422)
Transfers in	1,638,919	964,107	(674,812)
Total other financing sources	$ 1,638,919	$ 962,685	$ (676,234)
Net change in fund balance	$ (150,300)	$ (142,222)	$ 8,078
Fund balance beginning of year	-	505,025	505,025
Fund balance end of year	$ (150,300)	$ 362,803	$ 513,103

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Other tax	$ 1,400,000	$1,865,326	$ 465,326
Intergovernmental	1,030,000	184,693	(845,307)
Use of money and property	10,000	65,847	55,847
Miscellaneous	-	12,150	12,150
Total revenues	$ 2,440,000	$2,128,016	$ (311,984)
EXPENDITURES:			
Current:			
Public works:			
Commodities	$ -	$ 23	$ 23
Capital projects	3,914,992	2,198,960	1,716,032
Total expenditures	$ 3,914,992	$2,198,983	$1,716,009
Excess (deficiency) of revenues over (under) expenditures	$(1,474,992)	$ (70,967)	$1,404,025
Other financing sources (uses):			
Issuance of bonds	$ 700,000	$ 730,300	$ 30,300
Transfers in	90,000	-	(90,000)
Transfers out	(105,400)	(105,400)	-
Total other financing sources (uses)	$ 684,600	$ 624,900	$ (59,700)
Net change in fund balance	$ (790,392)	$ 553,933	$1,344,325
Fund balance beginning of year	-	2,176,010	2,176,010
Fund balance end of year	$ (790,392)	$2,729,943	$3,520,335

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
19TH STREET SW OVERPASS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental	$1,000,000	$ -	$(1,000,000)
Use of money and property	-	60,891	60,891
Total revenues	$1,000,000	$ 60,891	$ (939,109)
EXPENDITURES:			
Current:			
Public works:			
Personal services	$ -	$ 4,225	$ (4,225)
Contractual	-	438,844	(438,844)
Commodities	-	6,222	(6,222)
Other	-	272	(272)
Total public works	$ -	$ 449,563	$ (449,563)
Capital projects	1,000,000	71,509	928,491
Total expenditures	$1,000,000	$ 521,072	$ 478,928
Net change in fund balance	$ -	$ (460,181)	$ (460,181)
Fund balance beginning of year	-	1,612,891	1,612,891
Fund balance end of year	$ -	$1,152,710	$ 1,152,710

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, 2008

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Use of money and property	$ -	$ 36,259	$ 36,259
Contributions	-	29,897	29,897
Miscellaneous	110,000	1,900	(108,100)
Total revenues	$110,000	$ 68,056	$(41,944)
EXPENDITURES:			
Current:			
Culture & recreation:			
Commodities	$110,000	$ 3,683	$106,317
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 64,373	$ 64,373
Other financing sources (uses):			
Transfers out	-	(25,287)	(25,287)
Net change in fund balance	$ -	$ 39,086	$ 39,086
Fund balance beginning of year	-	865,701	865,701
Fund balance end of year	$ -	$904,787	$904,787

See Accompanying Independent Auditor's Report.

PROPRIETARY FUNDS

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	Cemetery	Storm Sewer
ASSETS:		
Current assets:		
Cash	$130,932	$ 236,370
Investments	50	-
Receivables:		
Property taxes	106,460	-
Accounts (net)	38,177	37,885
Accrued interest	20	432
Inventory	1,776	-
Due from other funds	74,761	-
Due from state government	-	-
Due from federal government	-	-
Prepaid insurance	478	-
Total current assets	$352,654	$ 274,687
Property, plant and equipment:		
Land	$ -	$ -
Buildings	47,699	-
Equipment	124,307	24,728
Improvements	386,173	-
Vehicles	43,227	-
Storm sewer lines	-	3,471,967
Construction in progress	-	1,751
Less accumulated depreciation	(406,430)	(1,280,909)
Total property, plant and equipment	$194,976	$2,217,537
Total assets	$547,630	$2,492,224
LIABILITIES:		
Current liabilities:		
Accounts payable	$ 2,067	$ 2,901
Salaries payable	8,509	-
Contracts payable	-	-
Accrued compensated absences	12,201	-
Accrued interest payable	-	413
Due to other funds	103,814	10,232
Due to state government	-	-
General obligation notes	-	62,500
Capital lease	-	-
Prepaid interments	40,380	-
Unearned revenue	105,166	-
Total current liabilities	$272,137	$ 76,046
Long-term debt:		
General obligation notes	$ -	$ 65,000
Total liabilities	$272,137	$ 141,046
Net assets:		
Invested in capital assets, net of related debt	$194,976	$2,090,037
Unrestricted	80,517	261,141
Total net assets	$275,493	$2,351,178

See Accompanying Independent Auditor's Report.

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
$ 120,260	$ 553	$ -	$ 199,281	$ 687,396
-	-	-	-	50
-	-	-	-	106,460
124,424	3,290	-	450,397	654,173
281	-	-	618	1,351
-	2,215	-	-	3,991
-	-	-	74	74,835
283	-	-	-	283
2,543	-	-	-	2,543
600	829	-	489	2,396
$ 248,391	$ 6,887	$ -	$ 650,859	$ 1,533,478
$ -	$196,813	$4,143,120	$ -	$ 4,339,933
583,706	553,873	-	408,710	1,593,988
19,422	331,592	-	217,221	717,270
-	64,066	2,584,991	-	3,035,230
728,997	23,194	13,000	384,126	1,192,544
-	-	-	-	3,471,967
-	-	-	-	1,751
(534,340)	(452,332)	(2,520,567)	(268,012)	(5,462,590)
$ 797,785	$717,206	$4,220,544	$ 742,045	$ 8,890,093
$1,046,176	$724,093	$4,220,544	$1,392,904	$10,423,571
$ 121,137	$ 57,982	$ 2,154	$ 35,174	$ 221,415
26,669	13,209	1,342	34,553	84,282
-	52,948	-	-	52,948
36,432	9,971	520	39,028	98,152
-	-	-	1,280	1,693
1,972	25,796	46,177	783	188,774
-	2,381	-	-	2,381
-	-	-	42,395	104,895
-	-	-	105,480	105,480
-	-	-	-	40,380
-	-	1,050	-	106,216
$ 186,210	$162,287	$ 51,243	$ 258,693	$ 1,006,616
$ -	$ -	$ -	$ 240,885	$ 305,885
$ 186,210	$162,287	$ 51,243	$ 499,578	$ 1,312,501
$ 797,785	$717,206	$4,220,544	$ 353,285	$ 8,373,833
62,181	(155,400)	(51,243)	540,041	737,237
$ 859,966	$561,806	$4,169,301	$ 893,326	$ 9,111,070

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Cemetery	Storm Sewer
Operating revenues:		
Charges for service	$ 69,868	$ 288,428
Operating Expenses:		
Business Type Activities:		
Personal service	$ 212,444	$ -
Contractual	12,991	44,036
Commodities	11,418	9,168
Other	878	-
Depreciation	21,034	129,719
Total operating expenses	$ 258,765	$ 182,923
Operating income (loss)	$(188,897)	$ 105,505
Nonoperating revenues (expenses):		
Property taxes	$ 100,873	$ -
Intergovernmental	-	-
Fines and forfeitures	-	-
Use of money and property	41,071	8,441
Miscellaneous	77,750	-
Interest	-	(5,953)
Total nonoperating revenue (expenses)	$ 219,694	$ 2,488
Income (loss) before contributions and transfers	$ 30,797	$ 107,993
Contributions and transfers:		
Transfers in	$ 9,000	$ 215,000
Change in net assets	$ 39,797	$ 322,993
Net assets beginning of year	235,696	2,028,185
Net assets end of year	$ 275,493	$2,351,178

See Accompanying Independent Auditor's Report.

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
$1,112,824	$409,400	$ 43,890	$1,553,944	$3,478,354
$ 673,145	$263,573	$ 38,282	$ 940,582	$2,128,026
350,917	68,164	56,987	100,906	634,001
76,679	125,098	888	136,895	360,146
-	470	-	10,660	12,008
87,506	37,943	14,434	76,339	366,975
$1,188,247	$495,248	$ 110,591	$1,265,382	$3,501,156
$ (75,423)	$(85,848)	$ (66,701)	$ 288,562	$ (22,802)
$ -	$ -	$ -	$ -	$ 100,873
2,825	-	-	-	2,825
-	-	47,112	-	47,112
1,858	8,829	-	2,750	62,949
294	1,907	-	6,581	86,532
-	-	-	(20,446)	(26,399)
$ 4,977	$ 10,736	$ 47,112	$ (11,115)	$ 273,892
$ (70,446)	$(75,112)	$ (19,589)	$ 277,447	$ 251,090
$ -	$ -	$ 45,000	$ 2,886	$ 271,886
$ (70,446)	$(75,112)	$ 25,411	$ 280,333	$ 522,976
930,412	636,918	4,143,890	612,993	8,588,094
$ 859,966	$561,806	$4,169,301	$ 893,326	$9,111,070

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	Cemetery	Storm Sewer
Cash flows from operating activities:		
Cash received from customers	$ 78,163	$ 284,153
Cash paid to employees for services	(220,249)	-
Cash paid to other suppliers of goods or services	(24,990)	(52,126)
Proceeds from miscellaneous items	86,750	-
Net cash provided (used) by operating activities	$(80,326)	$ 232,027
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	$100,792	$ -
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	$	$(203,053)
Principal payments	-	(62,500)
Interest payments	-	(6,155)
Net cash provided (used) for capital and related financing activities	$ -	$(271,708)
Cash flows from investing activities:		
Proceeds from sale of investments	$ -	$ 175,000
Purchase of investments	-	(75,000)
Interest received	23,916	8,161
Rent received	-	-
Net cash provided (used) by investing activities	$ 23,916	$ 108,161
Net increase (decrease) in cash	$ 44,382	$ 68,480
Cash beginning of year	86,550	167,890
Cash end of year	$130,932	$ 236,370

(continued)

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
$1,106,429	$425,671	$ 44,114	$1,585,742	$3,524,272
(661,755)	(260,508)	(43,007)	(936,161)	(2,121,680)
(331,644)	(180,870)	(1,107)	(254,567)	(845,304)
-	(7,347)	-	(46,634)	32,769
$ 113,030	$ 23,054)	$ -	$ 348,380	$ 590,057
$ -	$ -	$ -	$ -	$ 100,792
$ -	$ -	$ -	$ (41,391)	$ (244,444)
-	-	-	(142,206)	(204,706)
-	-	-	(20,895)	(27,050)
$ -	$ -	$ -	$ (204,492)	$ (476,200)
$ -	$ -	$ -	$ -	$ 175,000
-	-	-	-	(75,000)
1,577	29	-	2,522	36,205
-	8,800	-	-	8,800
$ 1,577	$ 8,829	$ -	$ 2,522	$ 145,005
$ 114,607	$(14,225)	$ -	$ 146,410	$ 359,654
5,653	14,778	-	52,871	327,742
$ 120,260	**$ 553**	**$ -**	**$ 199,281**	**$ 687,396**

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	Cemetery	Storm Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$(188,897)	$105,505
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	21,034	129,719
Miscellaneous income	86,750	-
Change in assets and liabilities:		
(Increase) decrease in receivables	3,471	(4,274)
(Increase) decrease in inventory	(34)	-
(Increase) decrease in prepaid insurance	36	-
Increase (decrease) in accounts and contracts payable	294	1,077
Increase (decrease) in salaries payable	417	-
Increase (decrease) in accrued compensated absences	(8,222)	-
Increase (decrease) in due to other funds	-	-
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	4,825	-
Increase (decrease) in unearned revenue	-	-
Net cash provided (used) by operating activities	$ (80,326)	$232,027

See Accompanying Independent Auditor's Report.

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
$(75,423)	$(85,848)	$(66,701)	$288,562	$(22,802)
87,506	37,943	14,434	76,339	366,975
433	1,907	92,112	9,469	190,671
(4,352)	(357)	-	4,135	(1,377)
-	(131)	-	-	(165)
(70)	67	-	(165)	(132)
94,969	28,399	1,119	14,356	140,214
4,657	(158)	50	(1,803)	3,163
6,734	3,224	(4,776)	6,224	3,184
(1,424)	(8,957)	(36,463)	(48,737)	(95,581)
-	857	-	-	857
-	-	-	-	4,825
-	-	225	-	225
$113,030	$(23,054)	$ -	$348,380	$590,057

INTERNAL SERVICE FUNDS

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	Central Services	Employee Health Care	Total
ASSETS:			
Current assets:			
Cash	$ -	$ 940,578	$ 940,578
Investments	-	925,045	925,045
Receivables:			
Property taxes	-	984,197	984,197
Accrued interest	-	6,148	6,148
Due from other funds	17,412	-	17,412
Total current assets	$ 17,412	$2,855,968	$2,873,380
Property, plant and equipment:			
Equipment	$ 67,686	$ -	$ 67,686
Vehicles	85,174	-	85,174
Total property, plant and equipment	$152,860	$ -	$ 152,860
Less accumulated depreciation	(96,799)	-	(96,799)
Net property, plant and equipment	$ 56,061	$ -	$ 56,061
Total assets	$ 73,473	$2,855,968	$2,929,441
LIABILITIES:			
Accounts payable	$ 2,770	$ 677,647	$ 680,417
Salaries payable	5,702	-	5,702
Accrued compensated absences	10,975	-	10,975
Due to other funds	96,359	-	96,359
Unearned revenue	-	996,301	996,301
Total liabilities	$115,806	$1,673,948	$1,789,754
Net Assets:			
Invested in capital assets, net of related debt	$ 56,061	$ -	$ 56,061
Unrestricted	(98,394)	1,182,020	1,083,626
Total net assets	**$(42,333)**	**$1,182,020**	**$1,139,687**

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, 2008

	Central Services	Employee Health Care	Total
Operating revenues:			
Charges for service	$243,884	$ -	$ 243,884
Health insurance contributions	-	2,139,819	2,139,819
Total operating revenues	$243,884	$2,139,819	$2,383,703
Operating expenses:			
Business type activities:			
Personal services	$157,586	$2,496,466	$2,654,052
Contractual	22,034	-	22,034
Commodities	18,478	-	18,478
Depreciation	11,965	-	11,965
Total operating expenses	$210,063	$2,496,466	$2,706,529
Operating income (loss)	$ 33,821	$ (356,647)	$ (322,826)
Nonoperating revenues (expenses):			
Property taxes	$ -	$ 802,489	$ 802,489
Use of money and property	-	70,524	70,524
Loss on disposal of assets	(36)	-	(36)
Total nonoperating revenues (expenses)	$ (36)	$ 873,013	$ 872,977
Change in net assets	$ 33,785	$ 516,366	$ 550,151
Net assets beginning of year	(76,118)	665,654	589,536
Net assets end of year	**$(42,333)**	**$1,182,020**	**$1,139,687**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	Central Services	Employee Health Care	Total
Cash flows from operating activities:			
Cash received from interfund charges	$263,769	$1,870,963	$2,134,732
Cash received from employees and others	-	269,450	269,450
Cash paid to employees for services	(156,481)	-	(156,481)
Cash paid to suppliers	(42,196)	-	(42,196)
Cash paid for health and life insurance	-	(2,494,797)	(2,494,797)
Proceeds from miscellaneous items	(68,198)	(64,325)	(132,523)
Net cash provided (used) by operating activities	$ (3,106)	$ (418,709)	$ (421,815)
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	$ -	$ 802,489	$ 802,489
Cash flows from investing activities:			
Proceeds from sale of investments	$ -	$ 750,000	$ 750,000
Purchase of investments	-	(1,350,000)	(1,350,000)
Interest received	-	62,783	62,783
Net cash provided (used) by investing activities	$ -	$ (537,217)	$ (537,217)
Net increase in cash	$ (3,106)	$ (153,437)	$ (156,543)
Cash beginning of year	3,106	1,094,015	1,097,121
Cash end of year	**$ -**	**$ 940,578**	**$ 940,578**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ 33,821	$ (356,647)	$ (322,826)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	11,965	-	11,965
Change in assets and liabilities:			
(Increase) decrease in receivables	-	(175,900)	(175,900)
(Increase) decrease in due from other funds	19,885	-	19,885
Increase (decrease) in accounts payable	(1,679)	1,699	20
Increase (decrease) in salaries payable	248	-	248
Increase (decrease) in compensated absences	857	-	857
Increase (decrease) in unearned revenues	-	176,179	176,179
Increase (decrease) in due to other funds	(68,203)	(64,040)	(132,243)
Net cash provided (used) by operating activities	**$ (3,106)**	**$ (418,709)**	**$ (421,815)**

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

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS:				
Cash	$185	$15,480	$14,650	$1,015
LIABILITIES:				
Due to purchase bonds	$185	$15,480	$14,650	$1,015

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, 2008

General capital assets:	
Land	$ 2,634,356
Buildings and structures	9,612,197
Improvements other than buildings	18,790,082
Machinery and equipment	5,203,666
Vehicles	7,355,012
Infrastructure	57,402,003
Construction in progress	4,597,464
Total general capital assets	**$105,594,780**
Investment in general capital assets by source:	
General fund	$105,594,780

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, 2008

Function and Activity	Total	Land
Public Safety:		
Police	$ 3,479,598	$ 115,000
Fire	3,691,263	75,150
Civil Defense	225,118	-
Building	46,998	-
Inspectors	39,024	-
Neighborhood Services	37,598	-
Total public safety	$ 7,519,599	$ 190,150
Public Works:		
Airport	$ 20,335,931	$1,725,891
Street	3,421,045	31,363
Infrastructure	58,376,893	-
Arborist	144,213	-
Engineer	214,974	-
Total public works	$ 82,493,056	$1,757,254
Health and Social Services:		
Youth Task Force	$ 14,712	$ -
Health	13,258	-
Human Rights	41,882	-
Total health and social services	$ 69,852	$ -
Culture and Recreation:		
Parks	$ 6,027,297	$ 673,452
Swimming Pool	3,154,126	-
Recreation	300,127	-
Library	1,717,374	13,500
Museum	1,201,645	-
Band	2,881	-
Total culture and recreation	$ 12,403,450	$ 686,952
Community and Economic Development:		
Growth Development and Planning	$ 566,674	$ -
Transit	1,173,945	-
Total community and economic development	$ 1,740,619	$ -
General Government:		
Mayor	$ 5,252	$ -
Council/Coffee room	31,267	-
Administrator	19,283	-
Finance	72,342	-
Clerk	18,470	-
City Hall	1,209,496	-
Safety Director	8,519	-
GIS	3,575	-
Total general government	$ 1,368,204	$ -
Total general capital assets	$105,594,780	$2,634,356

See Accompanying Independent Auditor's Report.

Buildings and Structures	Improvements Other Than Buildings	Machinery & Equipment	Vehicles	Infrastructure	Construction in Progress
$1,697,228	$ -	$1,017,612	$ 649,758	$ -	$ -
911,166	94,413	478,930	2,131,604	-	-
-	-	225,118	-	-	-
-	-	15,410	31,588	-	-
-	-	10,001	29,023	-	-
-	-	-	37,598	-	-
$2,608,394	$ 94,413	$1,747,071	$2,879,571	$ -	$
$1,847,755	$12,584,466	$ 409,832	$1,309,577	$ -	$2,458,410
886,406	-	575,846	1,927,430	-	-
-	-	-	-	57,402,003	974,890
-	-	7,883	136,330	-	-
-	-	130,023	84,951	-	-
$2,734,161	$12,584,466	$1,123,584	$3,458,288	$57,402,003	$3,433,300
$ -	$ -	$ 14,712	$ -	$ -	$ -
-	-	13,258	-	-	-
-	-	41,882	-	-	-
$ -	$ -	$ 69,852	$ -	$ -	$ -
$ 941,056	$ 2,765,097	$ 948,960	$ 192,403	$ -	$ 506,329
-	3,080,480	73,646	-	-	-
-	22,190	129,883	76,741	-	71,313
984,075	237,696	420,680	-	-	61,423
1,053,621	4,200	143,824	-	-	-
-	-	2,881	-	-	-
$2,978,752	$ 6,109,663	$1,719,874	$ 269,144	$ -	$ 639,065
$ -	$ -	$ 41,575	$ -	$ -	$ 525,099
394,540	-	31,396	748,009	-	-
$ 394,540	$ -	$ 72,971	$ 748,009	$ -	$ 525,099
$ -	$ -	$ 5,252	$ -	$ -	$ -
-	-	31,267	-	-	-
-	-	19,283	-	-	-
-	-	72,342	-	-	-
-	-	18,470	-	-	-
896,350	1,540	311,606	-	-	-
-	-	8,519	-	-	-
-	-	3,575	-	-	-
$ 896,350	$ 1,540	$ 470,314	$ -	$ -	$ -
$9,612,197	$18,790,082	$5,203,666	$7,355,012	$57,402,003	$4,597,464

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, 2008

Function and Activity	Balance June 30, 2007
Public Safety:	
Police	$ 3,341,010
Fire	3,535,171
Civil Defense	225,118
Building	46,998
Inspectors	39,024
Neighborhood Services	-
Total public safety	$ 7,187,321
Public Works:	
Airport	$ 8,584,357
Street	3,306,420
Infrastructure	55,580,320
Arborist	144,213
Engineer	214,974
Total public works	$67,830,284
Health and Social Services:	
Youth Task Force	$ 17,604
Health	31,591
Human Rights	39,799
Total health and social services	$ 88,994
Culture and Recreation:	
Parks	$ 4,853,647
Swimming Pool	3,145,001
Recreation	202,873
Library	1,651,717
Museum	1,186,232
Band	2,713
Total culture and recreation	$11,042,183
Community and Economic Development:	
Housing	$ 18,496
Growth Development and Planning	61,829
Transit	1,195,658
Total community and economic development	$ 1,275,983
General Government:	
Mayor	$ 5,252
Council/Coffee room	31,267
Administrator	19,283
Finance	70,335
Clerk	18,470
City Hall	1,183,571
Safety Director	8,519
GIS	-
Total general government	$ 1,336,697
Construction in progress	$10,405,564
Total general capital assets	**$99,167,026**

See Accompanying Independent Auditor's Report.

Additions	Deletions	Balance June 30, 2008
$ 157,573	$ 18,985	$ 3,479,598
176,641	23,549	3,691,263
-	-	225,118
-	-	46,998
-	-	39,024
37,598	-	37,598
$ 374,812	$ 42,534	$ 7,519,599
$ 9,311,865	$ 18,701	$ 17,877,521
300,824	186,199	3,421,045
1,821,683	-	57,402,003
-	-	144,213
		214,974
$11,434,372	$ 204,900	$ 79,059,756
$ 8,848	$ 11,740	$ 14,712
-	18,333	13,258
2,083	-	41,882
$ 10,931	$ 30,073	$ 69,852
$ 702,523	$ 35,202	$ 5,520,968
9,125	-	3,154,126
30,234	4,293	228,814
9,720	5,486	1,655,951
15,413	-	1,201,645
168	-	2,881
$ 767,183	$ 44,981	$ 11,764,385
$ -	$ 18,496	$ -
-	20,254	41,575
28,681	50,394	1,173,945
$ 28,681	$ 89,144	$ 1,215,520
$ -	$ -	$ 5,252
-	-	31,267
-	-	19,283
2,760	753	72,342
-	-	18,470
25,925	-	1,209,496
-	-	8,519
3,575	-	3,575
$ 32,260	$ 753	$ 1,368,204
$ 6,090,653	$11,898,753	$ 4,597,464
$18,738,892	$12,311,138	$105,594,780

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.

Contents **Page**

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. 108-117

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. 118-126

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. 127-134

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. 135-139

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. 140-143

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 SIX FISCAL YEARS
(accrual basis of accounting)

	2008	2007
Governmental activities:		
Invested in capital assets, net of related debt	$ 54,151,661	$ 51,379,331
Restricted for:		
Museum funding	633,638	610,638
Bond retirement	362,803	505,025
Perpetual care	455,442	429,743
Unrestricted	23,700,869	22,247,468
Total governmental activities net assets	$ 79,304,413	$ 75,172,205
Business-type activities:		
Invested in capital assets, net of related debt	$ 36,086,120	$ 35,294,652
Restricted for:		
Bond retirement	2,799,606	2,578,675
Capital projects	-	-
Unrestricted	2,149,576	1,274,797
Total business-type activities net assets	$ 41,035,302	$ 39,148,124
Primary government:		
Invested in capital assets, net of related debt	$ 90,237,781	$ 86,673,983
Restricted for:		
Museum funding	633,638	610,638
Bond retirement	3,162,409	3,083,700
Capital projects	-	-
Perpetual care	455,442	429,743
Unrestricted	25,850,445	23,522,265
Total primary government net assets	$120,339,715	$114,320,329

See Accompanying Independent Auditor's Report.

2006	2005	2004	2003
$ 47,154,271	$ 41,643,488	$33,654,513	$25,910,449
-	-	-	-
619,718	769,200	1,221,315	2,313,361
418,734	448,409	414,424	440,142
20,839,020	22,232,947	21,906,460	27,179,952
$ 69,031,743	$ 65,094,044	$57,196,712	$55,843,904
$ 34,761,907	$ 34,113,573	$34,673,507	$29,846,554
2,379,182	1,920,304	1,695,224	1,587,958
-	-	435,680	-
1,206,696	1,926,433	(1,240,259)	626,337
$ 38,347,785	$ 37,960,310	$35,564,152	$32,060,849
$ 81,916,178	$ 75,757,061	$68,328,020	$55,757,003
-	-	-	-
2,998,900	2,689,504	2,916,539	3,901,319
-	-	435,680	-
418,734	448,409	414,424	440,142
22,045,716	24,159,380	20,666,201	27,806,289
$107,379,528	$103,054,354	$92,760,864	$87,904,753

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

	2008	2007
Expenses:		
Governmental activities:		
Public safety	$ 8,836,067	$ 8,497,763
Public works	6,547,510	5,695,837
Health and social services	838,912	719,340
Culture and recreation	3,192,566	3,197,601
Community and economic development	1,516,775	1,429,911
General government	2,206,251	2,241,467
Interest on long-term debt	580,638	541,891
Total governmental activities expenses	$ 23,718,719	$ 22,323,810
Business-type activities:		
Cemetery	$ 263,411	$ 265,149
Water	4,896,428	4,791,948
Sewer	2,841,619	2,754,070
Parking lots	112,018	103,884
Storm sewer	188,876	116,252
Solid waste	1,201,526	1,141,987
Golf course	496,383	465,044
Ambulance	1,300,570	1,169,878
Total business-type activities expenses	$ 11,300,831	$ 10,808,212
Total primary government expenses	**$ 35,019,550**	**$ 33,132,022**
Program Revenues:		
Governmental activities:		
Charges for services:		
Public safety	$ 331,821	$ 469,917
Culture and recreation	462,564	529,079
General government	399,780	372,805
Other activities	266,913	229,317
Operating grants and contributions	1,586,253	1,690,908
Capital grants and contributions	3,383,038	4,537,680
Total governmental activities program revenues	$ 6,430,369	$ 7,829,706
Business-type activities:		
Charges for services:		
Water	$ 4,701,954	$ 4,587,840
Sewer	3,060,266	2,583,223
Other activities	3,525,466	3,272,750
Capital grants and contributions	1,111,409	583,409
Total business-type activities program revenues	$ 12,399,095	$ 11,027,222
Total primary government program revenues	**$ 18,829,464**	**$ 18,856,928**
Net (Expense) Revenues:		
Governmental activities	$(17,288,350)	$(14,494,104)
Business-type activities	1,098,264	219,010
Total primary government net (expense)/ revenues	**$(16,190,086)**	**$(14,275,094)**

(continued)

2006	2005	2004	2003
$ 8,550,232	$ 7,926,815	$ 7,651,154	$ 6,906,490
5,510,270	4,320,043	5,408,728	5,478,863
614,429	661,340	556,758	484,978
3,029,345	2,852,682	2,739,284	2,298,424
3,610,475	2,886,020	3,885,016	4,005,048
2,366,733	2,215,481	2,013,286	2,176,336
509,503	521,935	589,257	544,542
$ 24,190,987	$21,384,316	$ 22,843,483	$ 21,894,681
$ 258,434	$ 243,474	$ 242,607	$ 236,838
4,193,851	3,165,550	2,755,310	2,461,202
2,670,534	2,519,795	2,375,568	2,518,571
114,494	96,321	93,865	86,350
125,947	122,333	108,823	116,243
1,090,911	1,020,631	980,181	980,430
404,347	326,498	333,049	312,588
1,150,308	907,072	213,640	-
$ 10,008,826	$ 8,401,674	$ 7,103,043	$ 6,712,222
$ 34,199,813	$29,785,990	$ 29,946,526	$ 28,606,903
$ 503,548	$ 569,319	$ 533,677	$ 603,241
465,783	443,535	495,459	440,545
203,975	481,621	298,815	325,566
506,609	292,758	380,010	478,847
3,382,410	3,200,201	2,982,349	2,343,486
4,771,256	7,357,615	1,404,793	1,632,310
$ 9,833,581	$12,345,049	$ 6,095,103	$ 5,823,995
$ 4,091,801	$ 3,996,205	$ 3,542,206	$ 2,991,747
2,347,982	2,275,044	2,028,147	2,125,686
3,043,408	2,630,558	1,621,988	1,582,947
523,134	1,236,866	3,289,676	1,667,106
$ 10,006,325	$10,138,673	$ 10,482,017	$ 8,367,486
$ 19,839,906	$22,483,722	$ 16,577,120	$ 14,191,481
$(14,357,406)	$(9,039,267)	$(16,748,380)	$(16,070,686)
(2,501)	1,736,999	3,378,974	1,655,264
$(14,359,907)	$(7,302,268)	$(13,369,406)	$(14,415,422)

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

	2008	2007
General Revenues and Other Changes in Net Assets:		
Governmental activities:		
General revenues:		
Property taxes	$12,343,528	$11,819,970
Other taxes	5,032,706	4,400,683
Franchise taxes	-	-
Road use tax	2,499,599	2,440,873
Unrestricted state utility tax replacement	186,315	184,216
Grants and contributions not restricted to specific program	10,001	92,191
Unrestricted investment income	1,478,799	1,746,741
Gain (loss) on sale of capital assets	-	-
Miscellaneous	104,746	46,892
Transfers	(235,136)	(97,000)
Total governmental activities	$21,420,558	$20,634,566
Business-type activities:		
General revenues:		
Property taxes	$ 100,873	$ 92,417
Grants and contributions not restricted to specific program	2,825	-
Unrestricted investment income	346,442	343,964
Gain (loss) on sale of capital assets	-	-
Miscellaneous	103,638	47,948
Transfers	235,136	97,000
Total business-type activities	$ 788,914	$ 581,329
Total primary government	**$22,209,472**	**$21,215,895**
Change in Net Assets:		
Governmental activities	$ 4,132,208	$ 6,140,462
Business-type activities	1,887,178	800,339
Total primary government	**$ 6,019,386**	**$ 6,940,801**

See Accompanying Independent Auditor's Report.

2006	2005	2004	2003
$10,490,524	$ 9,449,162	$ 9,121,213	$ 8,897,703
4,112,909	3,628,930	5,260,326	3,981,825
-	12,883	72,000	20,628
2,442,817	2,422,050	2,444,356	2,355,322
159,226	161,992	171,678	388,170
80,804	17,401	132,876	319,333
1,028,584	1,340,758	693,661	1,059,921
-	-	-	(286,153)
10,037	259,635	146,427	130,268
(29,796)	(356,212)	58,651	(791,038)
$18,295,105	$16,936,599	$18,101,188	$16,075,979
$ 92,994	$ 87,090	$ 83,372	$ 87,734
-	-	-	-
185,868	182,609	65,418	124,702
-	-	-	(2,437)
81,318	33,248	34,190	37,944
29,796	356,212	(58,651)	791,038
$ 389,976	$ 659,159	$ 124,329	$ 1,038,981
$18,685,081	**$17,595,758**	**$18,255,517**	**$17,114,960**
$ 3,937,699	$ 7,897,332	$ 1,352,808	$ 5,293
387,475	2,396,158	3,503,303	2,694,245
$ 4,325,174	$10,293,490	$ 4,856,111	$ 2,699,538

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

	2008	2007
General Fund:		
Reserved	$ 209,866	$ 211,759
Unreserved	8,412,260	8,669,062
Total general fund	$ 8,622,126	$ 8,880,821
All Other Governmental Funds:		
Reserved	$ 824,223	$ 1,551,247
Unreserved, reported in:		
Special revenue funds	8,760,295	7,807,590
Capital project funds	3,882,653	3,788,901
Permanent funds	933,555	301,100
Total all other governmental funds	$14,400,726	$13,448,838

See Accompanying Independent Auditor's Report.

2006	2005	2004	2003
$ 208,096	$ 212,296	$ 190,564	$ 222,936
8,593,915	9,052,118	8,976,676	8,472,303
$ 8,802,011	$ 9,264,414	$ 9,167,240	$ 8,695,239
$ 1,045,151	$ 1,344,270	$ 1,766,522	$ 2,874,058
6,722,890	6,655,169	4,864,385	10,096,950
3,614,649	4,631,731	5,927,280	5,924,491
893,426	791,927	818,046	760,774
$12,276,116	$13,423,097	$13,376,233	$19,656,273

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

	2008	2007
Revenues:		
Property taxes	$ 9,991,874	$ 9,509,937
TIF revenues	1,549,165	1,539,641
Other taxes	5,219,025	4,584,899
Licenses and permits	589,770	583,098
Intergovernmental	7,062,389	7,917,610
Charges for services	673,796	804,962
Fines and forfeitures	88,621	169,377
Use of money and property	1,408,275	1,685,388
Special assessments	108,927	43,681
Miscellaneous	497,160	860,681
Refunds	72,695	73,281
Total revenues	$27,261,697	$27,772,552
Expenditures:		
Public safety	$ 8,339,910	$ 8,088,949
Public works	3,278,651	3,218,936
Health and social services	805,599	699,620
Culture and recreation	2,785,729	2,815,767
Community and economic development	1,134,548	1,301,826
General government	2,134,146	2,175,747
Capital projects	7,859,352	8,772,725
Debt service:		
Principal retirement	1,792,073	1,571,570
Interest	530,122	515,464
Contractual	50,115	22,100
Total expenditures	$28,710,245	$29,182,704
Excess (deficiency) of revenues over (under) expenditures	$(1,448,548)	$(1,410,152)
Other financing sources (uses):		
Issuance of refunding bonds	$ -	$ -
Payment to refunding escrow agent	-	-
Issuance of general obligation bonds	2,400,300	2,775,000
Premium (discount) on bonds issued	(23,422)	(16,317)
Sale of capital assets	-	-
Transfers in	1,462,290	1,494,141
Transfers out	(1,697,426)	(1,591,141)
Total other financing sources (uses)	$ 2,141,742	$ 2,661,683
Net change in fund balances	$ 693,194	$ 1,251,531
Debt service as a percentage of noncapital expenditures	11.38%	10.33%

See Accompanying Independent Auditor's Report.

2006	2005	2004	2003
$ 8,441,105	$ 7,764,803	$ 7,821,949	$ 7,588,119
1,324,877	1,334,795	1,299,264	1,309,583
4,272,135	3,803,805	5,504,004	4,390,623
422,326	752,700	576,466	777,534
9,576,497	11,825,024	6,394,531	5,910,170
986,768	715,507	715,657	634,019
195,322	228,678	162,745	92,439
994,387	1,305,195	671,163	1,019,077
75,497	90,348	253,091	344,207
1,127,791	1,078,449	634,460	840,337
111,921	87,314	72,811	55,458
$27,528,626	$28,986,618	$24,106,141	$22,961,566
$ 7,904,694	$ 7,396,491	$ 7,038,308	$ 6,277,854
2,954,535	2,922,781	3,158,130	3,368,579
586,664	638,500	532,232	456,108
2,596,250	2,456,088	2,341,327	2,161,533
3,617,369	2,741,518	3,744,709	3,888,304
2,244,677	2,114,246	1,905,417	2,056,340
8,734,458	11,064,257	9,594,988	7,201,659
1,396,363	1,255,708	2,660,020	1,442,000
490,091	486,787	563,568	474,521
16,113	26,847	20,261	27,468
$30,541,214	$31,103,223	$31,558,960	$27,354,366
$(3,012,588)	$(2,116,605)	$(7,452,819)	$(4,392,800)
$ -	$ -	$ -	$ 895,000
-	-	-	(870,385)
1,280,000	2,253,000	1,586,128	6,121,896
-	13,855	-	-
153,000	-	-	-
1,808,784	1,979,733	8,499,176	1,760,819
(1,838,580)	(1,985,945)	(8,440,525)	(2,551,856)
$ 1,403,204	$ 2,260,643	$ 1,644,779	$ 5,355,474
$(1,609,384)	**$ 144,038**	**$(5,808,040)**	**$ 962,674**
8.56%	9.02%	14.54%	9.51%

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

Fiscal Year	Property Taxes	Tax Increment	Ag Land Taxes	Monies & Credits	Bank Franchise Tax
2008	$9,991,874	$1,549,165	$17,051	$ -	$ -
2007	9,509,934	1,539,641	16,878	-	-
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

Fiscal Year	Hotel/ Motel Tax	Personal Property Replacement Tax	Utility Property Tax Replacement	Local Option Sales Tax	Total Taxes
2008	$333,278	$ -	$186,316	$2,797,987	$14,875,671
2007	303,510	-	184,216	2,430,608	13,984,787
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

(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

		Assessed Valuation			
Levy Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Agricultural Property
2007	2008	$1,059,165,761	$334,628,381	$118,779,067	$7,401,777
2006	2007	986,438,850	332,716,426	115,210,126	6,699,559
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

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

Source: City Assessor

See Accompanying Independent Auditor's Report.

Utilities	Total	Total Taxable Valuation (1)	Total Direct Tax Rate
$38,557,472	$1,558,532,458	$964,618,055	12.67114
40,823,425	1,481,888,386	944,867,130	12.25642
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

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

REGULAR DISTRICTS

	CITY OF MASON CITY			
Fiscal Year	Operating Millage	Debt Service Millage	Retirement Millage	Total City Millage
2008	8.86866	1.33259	2.46989	12.67114
2007	8.83050	1.05727	2.36865	12.25642
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

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.

CERRO GORDO COUNTY			MASON CITY COMMUNITY SCHOOL DISTRICT				
Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Other	Total Millage
5.83592	.75876	6.59468	14.08418	-	14.08418	3.00375	36.35375
5.78266	.81202	6.59468	14.09825	-	14.09825	3.00375	35.95310
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

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

	2008		
Taxpayer	Taxable Assessed Valuation	Rank	Percent of Total Assessed Valuation
Interstate Power Company	$ 33,329,538	1	2.14%
Lehigh Portland Cement Company	18,196,012	2	1.17
Golden Grain Energy, Inc.	15,519,632	3	1.00
AADG, Inc.	14,882,318	4	0.95
Northwestern States Cement-Holcim. Inc.	13,363,723	5	0.86
Downtown Mall Associates	11,439,113	6	0.73
Wal-Mart	10,762,510	7	0.69
Mills Fleet Farm	10,651,904	8	0.68
Mercy Medical Center-North Iowa	9,698,158	9	0.62
Principal Mutual Life Insurance Co.	9,393,830	10	0.60
General Foods Corporation	-		-
CAG Subsidiary, Inc.	-		-
Curries Manufacturing, Inc.	-		-
Mason City Shopping Center, Ltd.	-		-
U.S. West (formerly Northwestern Bell)	-		-
Total	$147,236,738		9.45%

Source: City Assessor

See Accompanying Independent Auditor's Report.

1999		
Taxable Assessed Valuation	Rank	Percent of Total Assessed Valuation
$ 25,465,860	1	2.48%
24,025,167	2	2.34
-		-
-		-
20,560,995	3	2.00
7,758,750	7	0.76
-		-
-		-
-		-
8,682,442	6	0.85
16,218,261	4	1.58
9,147,606	5	0.89
5,624,608	10	0.55
6,568,658	8	0.64
5,997,915	9	0.58
$130,050,262		12.67%

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

Levy Year	For Fiscal Year Ended June 30,	Total Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (1)
			Amount	Percentage of Levy	
2007	2008	$11,065,910	$11,091,145	100.22%	$ -
2006	2007	10,549,474	10,551,540	100.01	-
2005	2006	9,414,330	9,410,684	99.96	852
2004	2005	8,380,157	8,369,822	99.88	894
2003	2004	8,107,644	8,103,729	99.95	2,791
2002	2003	7,745,522	7,642,524	98.67	20,199
2001	2002	7,686,241	7,465,976	97.13	4,044
2000	2001	7,378,494	7,379,311	100.01	3,738
1999	2000	6,939,874	7,012,010	101.04	22,790
1998	1999	6,886,315	6,992,757	101.55	-

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

See Accompanying Independent Auditor's Report.

Total Collections to Date	
Amount	Percentage of Levy
$11,091,145	100.22%
10,551,540	100.00
9,411,536	99.97
8,370,716	99.89
8,106,517	99.99
7,662,723	98.93
7,470,020	97.19
7,383,049	100.06
7,034,800	100.32
6,992,757	101.55

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

	Governmental Activities			
Fiscal Year	General Obligation Bonds	General Obligation Notes	Special Assessment Bonds	TIF Revenue Bonds
2008	$ 9,776,550	$1,333,671	$ -	$1,727,044
2007	9,777,692	408,671	-	2,072,975
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

	Business-Type Activities			
Fiscal Year	General Obligation Bonds	General Obligation Notes	Revenue Bonds	Capital Lease
2008	$5,903,450	$410,780	$18,740,604	$105,480
2007	3,667,308	513,735	17,888,281	207,231
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	-

See Accompanying Independent Auditor's Report.

Lease	Settlement Note	Total
$ -	$ -	$12,837,265
-	4,889	12,264,227
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

Total	Total Primary Government	Percentage of Personal Income	Per Capita
$25,160,314	$37,997,579	3.88%	$1,303
22,276,555	34,540,782	3.63	1,184
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

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

Levy Year	Population(1)	Taxable Assessed Value(2)	Gross Bonded Debt	Less Debt Service Funds
2008	29,172	$964,618,055	$11,110,221	$ 362,803
2007	29,172	944,867,130	10,186,363	505,025
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

Levy Year	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2008	$10,747,418	1.11%	368.42
2007	9,681,338	1.02	331.87
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

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, 2008

Jurisdiction	Net Debt Outstanding	Percentage Applicable To City Of Mason City	Amount Applicable To City Of Mason City
Direct:			
City of Mason City	$12,837,265	100.00%	$12,837,265
Overlapping:			
Mason City Community School District	17,284,263	91.00%	15,728,679
Cerro Gordo County	12,480,000	48.25%	6,021,600
North Iowa Area Community College	9,195,000	-	-
Total	**$51,796,528**		**$34,587,544**

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

	2008	2007	2006	2005
Debt limit	$77,926,623	$74,094,419	$67,487,614	$67,400,322
Total net debt applicable to limit	15,643,215	15,926,646	15,111,754	13,751,129
Legal debt margin	$62,283,408	$58,167,773	$52,375,860	$53,649,193
Total net debt applicable to the limit as a percentage of debt limit	20.07%	21.50%	22.39%	20.40%

Legal Debt Margin Calculation for Fiscal Year 2008

Actual assessed valuation:	
Real property	$1,519,974,986
Utilities	38,557,472
Total actual assessed valuation	$1,558,532,458
Debt limit - 5% of actual valuation	$ 77,926,623
Total net debt applicable to limit	15,643,215
Legal debt margin	$ 62,283,408

See Accompanying Independent Auditor's Report.

2004	2003	2002	2001	2000	1999
$66,048,766	$56,120,090	$60,538,444	$57,844,063	$55,444,685	$51,294,376
10,361,213	11,483,043	4,850,000	6,135,000	7,350,000	13,445,000
$55,687,553	$44,637,047	$55,688,444	$51,709,063	$48,094,685	$37,849,376
15.69%	20.46%	8.01%	10.61%	13.26%	26.21%

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

Fiscal Year	Gross Revenues	Operating Expenses(1)	Net Revenue Available for Debt Service
2008	$3,173,779	$1,786,007	$1,387,772
2007	2,673,287	1,814,148	859,139
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

Fiscal Year	Debt Service Requirements			Coverage
	Principal	Interest	Total	
2008	$450,000	$119,760	$569,760	2.43
2007	455,000	117,276	572,276	1.50
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

(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

Fiscal Year	Gross Revenues	Operating Expenses(1)	Net Revenue Available for Debt Service
2008	$4,889,040	$3,065,967	$1,823,073
2007	4,781,241	3,063,093	1,718,148
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

Fiscal Year	Debt Service Requirements			Coverage
	Principal	Interest	Total	
2008	$ 775,000	$502,103	$1,277,103	1.43
2007	727,000	463,806	1,190,806	1.44
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

(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

Fiscal Year	Population(1)	Personal Income (in thousands)	Per Capita Income(2)	Median Age(2)	School Enrollment(3)	Unemployment Rate(4)
2008	29,172	$980,850	$33,623	41.70	3,969	3.5
2007	29,172	951,824	32,628	42.20	4,102	3.3
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

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

	2008		
Taxpayer	Employees	Rank	Percent of Total City Employment
Mercy Medical Center - North IA	2,594	1	16.92%
Curries Manufacturing Company	992	2	6.47
Mason City Community School District	583	3	3.80
Principal Life Insurance Co.	528	4	3.44
Woodharbor Molding & Millwork	400	5	2.61
City of Mason City	362	6	2.36
Graham Manufacturing Co.	279	7	1.82
Kraft Foods	275	8	1.79
Armour Food Co.	250	9	1.63
North Iowa Area Community College	245	10	1.60
Total	6,508		42.44%

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

(1) Information not available

See Accompanying Independent Auditor's Report.

1999		
Employees (1)	Rank	Percent of Total City Employment (1)
-	1	-
-	2	-
-	-	-
-	3	-
-	8	-
-	-	-
-	11	-
-	-	-
-	10	-
-	-	-
-		-

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

	2008	2007	2006	2005	2004
Public safety:					
Police - sworn	45	48	50	47	49
Police - civilian	4	10	9	15	16
Fire - sworn	44	44	44	44	43
Fire - civilian	2	2	1	1	1
Building inspection	3	3	3	3	3
Plumbing/electrical inspection	2	2	2	2	2
Public works:					
Airport	5	5	6	5	4
Street	21	21	21	20	20
Arborist	1	1	1	1	1
Engineer	7	5	7	7	6
Health and social services:					
Youth Task Force	4	4	3	3	3
Health	1	1	1	1	1
Human Rights	2	2	2	2	2
Culture and recreation:					
Parks	7	7	7	7	7
Recreation	4	4	4	4	4
Library	15	14	14	13	13
Museum	7	7	6	5	6
Community and economic development:					
Neighborhood Services	2	3	3	3	1
Growth Development and Planning	3	1	3	4	4
Transit	14	15	14	14	17
General government:					
Administrator	2	2	2	2	2
Mayor	-	-	-	-	1
Finance	11	8	7	7	5
Clerk	2	2	3	3	3
City Hall	1	1	1	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	19	22	21	22	19
Sewer	16	17	17	17	16
Sanitation	12	12	12	12	12
Cemetery	3	3	3	3	3
Golf course	2	1	2	2	2
Total	263	269	277	277	274

See Accompanying Independent Auditor's Report.

2003	2002	2001	2000	1999
47	45	43	43	33
12	13	15	15	15
36	34	34	34	34
1	1	1	1	1
3	3	3	3	3
2	2	2	2	2
4	5	5	5	5
21	20	19	21	24
1	1	1	1	1
8	8	8	6	6
3	3	3	2	2
1	1	1	1	1
2	2	2	2	2
6	7	7	7	7
4	4	4	4	4
13	13	14	13	12
6	6	6	6	6
3	-	-	-	-
4	3	3	4	3
17	17	17	17	18
2	1	1	2	1
1	1	1	1	1
5	5	5	5	5
3	3	3	3	3
1	1	1	1	1
2	2	2	1	1
21	21	21	22	19
17	17	17	16	17
11	12	12	12	13
3	3	3	3	3
2	2	2	2	2
267	261	259	260	251

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

Function	2008	2007	2006	2005	2004
Police:					
Physical arrests	3,049	3,373	3,309	3,551	3,362
Parking violations	7,560	4,328	3,870	4,041	5,827
Traffic violations	5,952	6,502	4,463	2,686	3,478
Fire:					
Fire calls answered	766	746	779	772	842
Ambulance calls answered	4,032	4,138	4,374	3,420	310
Inspections	1,025	600	373	781	673
Highways and streets:					
Street resurfacing (miles)	3.04	5.59	4.22	3.41	2.71
Potholes repaired	5,000	5,000	5,000	5,000	5,000
Sanitation:					
Refuse collected (tons/day)	27.5	25.4	26.2	25.9	25.6
Recyclables collected (tons/day)	5.5	5.5	5.7	5.9	6.0
Culture and recreation:					
Aquatic Center admissions	39,726	51,751	54,997	58,951	42,484
Water:					
New connections	3	15	10	1	8
Water main breaks	10	11	8	10	14
Average daily consumption (thousands of gallons)	5,673	5,784	5,819	5,869	5,571
Wastewater:					
Average daily sewage treatment (thousands of gallons)	7,421	7,040	6,637	6,618	5,433

See Accompanying Independent Auditor's Report.

2003	2002	2001	2000	1999
3,190	3,247	2,773	2,635	2,913
6,180	7,089	9,130	8,780	8,394
2,990	3,928	3,348	3,460	5,109
1,070	1,096	1,168	1,133	1,239
-	-	-	-	-
1,097	2,004	1,560	2,342	2,191
2.24	3.93	0.91	2.13	1.00
5,000	5,000	5,000	5,000	5,000
25.1	24.7	29.8	24.7	24.7
6.0	5.9	5.9	5.9	5.9
75,846	25,929	34,561	40,041	45,086
7	7	6	8	3
17	10	12	24	23
4,964	5,003	4,946	5,307	5,334
5,832	5,127	7,208	7,964	9,586

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

Function	2008	2007	2006	2005	2004
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	151.93	151.93	151.69	150.78	148.12
Unpaved	41.12	41.12	41.12	41.12	41.80
Street lights	1,760	1,760	1,750	1,744	1,714
Culture and recreation:					
Parks	41	41	41	41	41
Acreage	639	639	639	639	639
Playgrounds	12	12	12	12	12
Baseball/softball diamonds	12	12	12	12	12
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	47.95	47.95	46.91	46.44	46.26
Sanitary	164.31	160.92	159.84	159.05	158.30
Cemetery:					
Facilities	1	1	1	1	1
Acreage	120	120	120	100	100

See Accompanying Independent Auditor's Report.

2003	2002	2001	2000	1999
1	1	1	1	1
1	1	1	1	1
148.12	148.12	147.70	145.80	143.80
41.80	41.80	42.12	43.29	43.60
1,714	1,694	1,692	1,681	1,670
41	40	39	38	38
639	580	550	550	550
12	12	13	13	13
12	13	12	12	12
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
46.26	46.32	46.26	44.95	44.50
158.30	158.36	158.30	156.80	156.10
1	1	1	1	1
100	100	100	100	100

CITY OF MASON CITY, IOWA
SUPPLEMENTARY REPORT ON FEDERAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2008

CITY OF MASON CITY, IOWA
SUPPLEMENTARY REPORT ON FEDERAL ASSISTANCE
YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	Schedule	Page
Independent Auditor's Report		1
Schedule of Expenditures of Federal Awards Year Ended June 30, 2008	1	2-4
Schedule of Selected Expenditures of State Awards Year Ended June 30, 2008	2	5
Notes to Schedule of Federal Assistance		6
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		7-8
Schedule of Findings and Questioned Costs	3	9-10
Corrective Action Plan for Federal Audit Findings	4	11
Summary Schedule of Prior Year Audit Findings	5	12
Certification of Contracting Opportunities		13

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the financial statements of the City of Mason City, Iowa, as of and for the year ended June 30, 2008, and have issued my report thereon dated January 6, 2009. These financial statements are the responsibility of City officials. My responsibility is to express an opinion 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 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 opinion.

In accordance with *Government Auditing Standards*, I have also issued my reports dated January 6, 2009 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.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules, including the Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and are not a required part of the financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Douglas E Kronlage

January 6, 2009

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
DIRECT:			
Department of Commerce			
Grants for Public Works and Economic Development Facilities	11.300	05-01-04177	$ 229,255
Department of Housing and Urban Development			
Fair Housing Assistance Program - State and Local			
Contributions and Training	14.401	FF207K087002	$ -
Contributions and Training	14.401	FF207K077020	120,000
Contributions and Training	14.401	FF207K067002	-
Contributions and Training	14.401	FF207K067020	30,000
Contributions and Training	14.401	FF207K077002	35,700
Total			$ 185,700
Department of Justice			
Bullet Proof Vest Program	16.607	2003	$ 6,197
Bullet Proof Vest Program	16.607	2008	-
Public Safety Partnership and Community Policing Grants:			
COPS - Secure Our Schools	16.710	2007-CK-WX-0097	11,343
Edward Byrne Justice Assistance Grant	16.738	2007-DJ-BX-0417	12,722
Total			$ 30,262
Department of Transportation			
Airport Improvement Program	20.106	3-19-0059-24-2005	$ 25,270
Airport Improvement Program	20.106	3-19-0059-25-2005	12,479
Airport Improvement Program	20.106	3-19-0059-26-2007	124,395
Airport Improvement Program	20.106	3-19-0059-27-2007	69,406
Airport Improvement Program	20.106	3-19-0059-28-2008	565,710
Airport Improvement Program	20.106	3-19-0059-29-2008	1,281,432
Airport Improvement Program	20.106	3-19-0059-30-2008	128,477
Passenger Facility Charge			36,258
Total			$2,243,427
Environmental Protection Agency			
Congressionally Mandated Projects	66.202	XP-98782501	$ 882,154
Department of Health and Human Services			
Drug Free Communities Support Program	93.276	1 H79 SP11332-03	$ 46,331
Drug Free Communities Support Program	93.276	5 H79 SP011332-04	66,856
Drug Free Communities Support Program	93.276	1 H79 SP13971-01	19,207
Drug Free Communities Support Program	93.276	5 H79 SP01391-02	44,043
Total			$ 176,437
Department of Homeland Security			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HST50208HSLR204	$ 14,207
Total direct			$3,761,442

(continued)

CITY OF MASON CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
INDIRECT:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development			
Community Development Block Grant/ State Program			
Owner Occupied Housing Rehab	14.228	08-HSG-061	$ 319
Home Investment Partnership Program	14.239	05-HM-118-69	51,314
Home Investment Partnership Program	14.239	07-HM-110-69	424
Total			$ 52,057
Department of the Interior:			
State Historical Society of Iowa			
Historic Preservation Fund Grants-in-Aid	15.904	2006.01	$ -
Department of Justice:			
Governor's Office of Drug Control Policy			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07JAG-C03	$ 15,797
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07JAG/C06-A18	42,092
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06JAG/HS-A29	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06JAG-C12	-
Total			$ 57,889
Iowa Department of Justice			
Federal Violence Against Women Formula Grant	16.588	VW-08-46	$ 15,836
Federal Violence Against Women Formula Grant	16.588	VW-07-48	-
Total			$ 15,836
Total			$ 73,725
Department of Transportation:			
Iowa Department of Transportation			
Highway Planning and Construction			
Transportation Enhancement	20.205	03-STPE-126	$ 27,780
Safe Routes to Schools	20.205	07-SRTS-008	-
ICAAP - 19th Street Overpass	20.205	2-07-ICAAP-006	-
19th Street Overpass Approach	20.205	02-08-HDP-015	-
Federal Transit - Capital Investment Grant			
Capital Assistance	20.500	04-0113-482-08	-
Formula Grants for Other than Urbanized Areas			
Capital Assistance	20.509	18-0028-482-07	5,603
Capital Assistance	20.509	18-0027-482-05	3,305
Capital Assistance	20.509	18-0028-482-08	236,240
Total			$272,928
Iowa Department of Public Safety			
Governor's Traffic Safety Bureau			
Highway Planning and Construction	20.205	PAP-07-163	$ -
State and Community Highway Safety			
Police Traffic Services	20.600	PAP-08-04	5,015
Police Traffic Services	20.600	PAP-07-04	2,989
Total			$ 8,004
Total			$280,932

(continued)

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
INDIRECT:			
National Endowment for the Arts:			
Iowa Arts Council			
Promotion of the Arts - Partnership Agreements			
Operating Support	45.025	2008-5653	$ 16,000
Department of Education:			
Iowa Department of Public Health			
Safe and Drug Free Schools and Communities	84.186	5888DV09	$ 54,245
Department of Homeland Security:			
Iowa Homeland Security and Emergency Management Division			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1763-DA-IA	$ 113,379
Predisaster Mitigation	97.047	PDMC-PJ-07-IA-2007-0050	56,914
Total			$ 170,293
Total indirect			$ 647,252
Total expenditures of federal awards			**$4,408,694**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2008

Grantor/Program	Agency or Pass-through Number	Program Expenditures
Iowa Department of Transportation		
Commercial Air Service Vertical Infrastructure Program	7249	$ 15,129
Commercial Air Service Vertical Infrastructure Program	7976	-
Commercial Air Service Vertical Infrastructure Program	8828	99,701
Commercial Air Service Vertical Infrastructure Program	9650	98,759
Total Expenditures for State Awards		**$213,589**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Mason City, Iowa. The City of Mason City reporting entity is defined in Note 1 to the City's general purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 2 to the City's general purpose financial statements.

(3) Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported in the City's general purpose financial statements as follows:

	Operating Grants	Capital Grants	Loan Proceeds	Total
General Fund	$1,215,806	$2,713,867	$ -	$3,929,673
Special Revenue Funds:				
ADDI	-	51,314	-	51,314
Capital Project Funds:				
Local Option Capital Improvements	-	184,694	-	184,694
Enterprise Funds:				
Water	-	229,255	-	229,255
Sewer	-	882,154	-	882,154
	$1,215,806	$4,061,284	$ -	$5,277,090

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

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

Compliance

I have audited the compliance of the City of Mason City with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Mason City's management. My responsibility is to express an opinion on the City of Mason City's compliance based on my audit.

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

In my opinion, the City of Mason City complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Mason City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Mason City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a certain deficiency in internal control over compliance that I consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I consider item 08-III-A of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

The City of Mason City's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the City of Mason City's response and, accordingly, I express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, management and citizens of the City of Mason City and federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Douglas E Kraulage

January 6, 2009

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Part I: Summary of the Independent Auditors' Results:

(a) An unqualified opinion was issued on the financial statements.

(b) The audit did not disclose any noncompliance which is material to the financial statements.

(c) Two significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.

(d) An unqualified opinion was issued on compliance with requirements applicable to each of the City's major programs.

(e) The audit disclosed no audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).

(f) The programs tested as the major programs are:

- CFDA Number 11.300 - Grants for Public Works and Economic Development Facilities
- CFDA Number 20.106 - Airport Improvement Program
- CFDA Number 66.202 - Congressionally Mandated Projects

(g) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(h) The City did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

There were no prior year or current year instances of noncompliance identified.

SIGNIFICANT DEFICIENCY:

08-II-A Determination of Accounts and Contracts Payable - Accounts and contracts payable at the end of the year are not being appropriately recognized. The auditor presented approximately $24,000 of accounts payable and $125,000 of contracts payable as additions to the City's various funds and grant programs as well as approximately $200,000 of accounts payable and $18,000 contracts payable that were incorrectly accrued in the financial statements. These amounts are material to the financial statement.

Recommendation - The initial determination of the accounts and contracts payable amounts are prepared by the finance department interns. Additional instruction, to possibly include a written process to be used by the interns in determining the appropriate amount to be included/excluded, should be developed by the interns' direct supervisor. In addition, the interns' supervisor should review their work on a regular basis to determine the amount of additional guidance that needs to be provided to the interns.

Response - We will be providing additional guidance to the interns and investigating the development of flow charts or materials to assist the interns in determining the appropriate classification at year end.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements: (continued)

INSTANCES OF NONCOMPLIANCE:

08-II-B Financial Statement Classification and Valuation - It was noted that the City's financial statements required a significant number of material adjusting journal entries to properly classify and value the financial statement amounts. A system of internal control includes the controls over the preparation of the financial statements.

Recommendation - The initial determination of the financial statement classifications and amounts is determined by the finance department interns. Additional instruction and supervision should be given to the interns by their direct supervisor. In addition, the finance interns' supervisor should review their work on a regular basis to determine the correct classification and valuation of amounts in the financial statements.

Response - We will be providing additional guidance and supervision to the interns to assist with financial statement preparation, including the proper classification and valuation.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

SIGNIFICANT DEFICIENCIES:

ALL GRANTS:

08-III-A See items 08-II-A and 08-II-B above.

CITY OF MASON CITY, IOWA
Corrective Action Plan for Federal Audit Findings
Year Ended June 30, 2008

Comment Number	Comment Title	Corrective Action Planned	Contact Person Title, Phone Number	Anticipated Date of Completion
08-II-A	Determination of accounts and contracts payable	We will provide a written process for the interns to follow in addition to providing increased personal supervision of the interns.	Kevin Jacobson Director of Finance 641-421-3613	August 30, 2009
08-II-B	Financial statement classification and valuation	We will provide additional guidance and supervision to the interns.	Kevin Jacobson Director of Finance 641-421-3613	August 30, 2009
08-III-A	See items 08-II-A and 08-II-B above			

CITY OF MASON CITY, IOWA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

FINANCIAL STATEMENTS

Finding 08-II-A: Determination of Accounts and Contracts Payable

Condition - Material amounts of accounts and contracts payable were not being properly recognized.

Recommendation - Additional instructions and processes should be developed to assist the interns in arriving at a materially correct number for these items.

Current Status - Progress has been made with this process, but additional supervision and instruction is needed to arrive at materially correct payable items.

DEPARTMENT OF COMMERCE
CFDA 11.300 - Grants for Public Works and Economic Development Facilities

Finding 08-III-A: Cash Management

Condition - An invoice was included as a grant expenditure and the City was reimbursed. The invoice was received during a period of change in several administrators and the invoice was not put into the system and approved for payment for seven months. The invoice was from the third-party administrator who prepared the reimbursement request prior to actual payment.

Recommendation - There should be closer coordination between the third-party administrator and the City.

Current Status - No instances were found where reimbursements were not distributed within the appropriate time period.

DEPARTMENT OF TRANSPORTATION
CFDA 20.00 - Federal Transit - Capital Investment Grant

Finding 08-III-B: Cash Management

Condition - The grant administrator prepared the reimbursement request after receipt of a vendor invoice but before entering the invoice into the disbursements system. The invoice was subsequently misplaced and the vendor was not paid. The City was not re-billed by the vendor.

Recommendation - The grant administrator should reconcile grant reimbursement requests to actual cash disbursements on a regular basis.

Current Status - No instances were found where reimbursements were not distributed within the appropriate time period.

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CERTIFICATION OF CONTRACTING OPPORTUNITIES

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

I have audited the contracting opportunities and DBE/WBE participation summary of the City of Mason City, Iowa, Transit System. My audit of details reported included tests of accounting records, purchase orders, and contracts issued to DBE and WBE firms as I considered necessary to verify that the information reported corresponds with the transit system's financial statements and other official documentation. It was not within the scope of my audit to make any assurances about the eligibility of any firm to be certified as a DBE or WBE, since the Iowa Department of Transportation assumes this responsibility. Yet, tests were conducted to assure that this information fairly reflects the transit system's efforts to comply with Section 105(f) and Subpart D of the Surface Transportation Assistance Act of 1982.

Douglas E Kronlage

January 6, 2009

Douglas E. Kronlage

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING INCLUDING COMMENTS AND RECOMMENDATIONS

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

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City of Mason City's basic financial statements and have issued my report thereon dated January 6, 2009. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Mason City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mason City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Mason City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Mason City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Mason City's financial statements that is more than inconsequential will not be prevented or detected by the City of Mason City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Mason City's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the accompanying schedule of findings and questioned costs, I believe items 08-II-A and 08-II-B are material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the City of Mason City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report, a public record by law, is intended solely for the information and use of the officials, management and citizens of the City of Mason City and federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

The following comments about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

(1) Official Depositories - A resolution naming official depositories has been adopted by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.

(2) Certified Budget - Disbursements during the year ended June 30, 2008, exceeded the amounts budgeted for in the Public Works program. Chapter 384.20 of the Code of Iowa states, in part, that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa in amounts sufficient to comply with the law.

Response - We will monitor the expenditures of the various budget programs and amend the budget in amounts sufficient to avoid having disbursements exceeding the amended budget amounts.

Conclusion - Response accepted.

(3) Questionable Disbursements - No expenditures that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

(5) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Scott Wright, Plumbing Examiners Board - shareholder, Comfort, Inc.	Supplies and services	$ 105
Steve Clausen, Plumbing Examiners Board - owner, Clausen Plumbing	Plumbing supplies and services	223
Craig Gray, Plumbing Examiners Board - owner, Gray's Plumbing	Plumbing services	256
Amy Simpson, Human Rights Department - employee	Transcriptions	382
Mary Hardin, River City TREES - owner, Blackmore Nursery	Trees & landscaping	841
John Pappas, River City TREES - owner, Pappas Landscaping	Trees	1,200
Dave Grooters, Library Board - partner, Pappajohn Law Firm	Legal services	1,878
John Jaszewski, City Council - owner, Jay Square Videography	Services & supplies	3,710
Daniel Moorehead, Electrical Appeals Board - owner, Moorehead Electric	Electrical repairs	4,364
Kris Kramer, Enterprise Zone Commission - owner, Kramer Ace Hardware	Parts & supplies	5,945
Dan Linahon, Electrical Appeals Board - partner, Linahon Electric	Electrical services	9,301
Craig MacDougall, Plumbing Examiners Board - owner, Hank's Plumbing	Plumbing repairs	9,983
Jay Leaman, Electrical Appeals Board - owner, The Electricians	Electrical services	15,341
Tom Hovland, Airport Commission - owner, Tom Hovland Enterprises	Automotive supplies	18,249
Doug Wiltse, Electrical Examiners Board - vice-president, Blazek Electric	Electrical supplies and services	19,294
Reed Wessman, Housing Advisory and Appeals Board - partner, Waggoner and Wineiger	Animal shelter services	21,236
Jennifer Raemaker, Housing Advisory and Appeals Board - insurance agent, Edward-Brant Insurance	Insurance	58,647

Name, Title and Business Connection	Transaction Description	Amount
Randi Thomas, Electrical Examiners Board - partner, Thomas Electric	Electrical services and supplies	$ 71,309
Terry McCarthy, Human Rights Commission, and Monte Applegate, Park and Recreation Board members - partners, Yaggy Colby Associates	Engineering services	335,591
Larry Elwood, Plumbing Appeals Board and Enterprise Zone Commission - owner, Larry Elwood Construction	Construction services	462,360
Roger Bang, Mayor - insurance agent, 1st Insurance	Insurance	591,688
Fouad Daoud, Building Advisory and Appeals Board - partner, WHKS and Co.	Engineering services	1,391,242
George Jessin, Zoning Board of Adjustment - owner, Heartland Asphalt	Road construction	3,406,102

In accordance with Chapter 362.5(10) of the Code of Iowa, the first six transactions do not appear to represent a conflict of interest since the transactions were less than $1,500 during the fiscal year.

All or significant amounts of the payments to Larry Elwood Construction, Yaggy Colby Associates, 1st Insurance, WHKS and Co., Heartland Asphalt, Waggoner and Wineiger, Blazek Electric, Hank's Plumbing, Linahon Electric, Thomas Electric, The Electricians and Edwards-Brant Insurance were competitively bid and, therefore, do not represent a conflict of interest. The remaining items may represent conflicts of interest. The City should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.

(6) Related Party Purchase Discrepancies - City purchasing policy requires department heads to obtain competitive bids (to include publication of a request for bids, description of the item being sought and a public opening and award of bids) for all annual cumulative purchase from a City employee, official or member of a board or commission exceeding $1,500. Department heads are not aware of this policy and are not complying with the policy.

Recommendation - The policy should be reviewed to determine if this is the policy that the City actually wishes to enforce. The policy requires department heads to know the extent of purchases from a related party and would essentially require publication and taking of bids for purchases of minimal amounts.

Response - We are presently reviewing the policy to determine the extent of restrictions desired by the council.

Conclusion - Response accepted.

(7) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

(8) Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

(9) Internal Services Fund Deficit - The Central Services Internal Services Fund has had losses for six of the last ten years totaling over $165,000. The fund has a deficit net asset balance in excess of $42,000.

Recommendation - Additional progress needs to be made in the effort to make the Central Services Internal Services Fund self-sufficient. The charges for services exceeded all costs of the fund except depreciation and commodities in the current year, whereas, in three of the previous seven years, the fund has either not covered or barely covered the cost of personal services. The internal services fund needs to be competitive with commercial businesses as City departments have the option of contracting with outside vendors for a lower cost. An internal services fund needs to generate a profit so that it can continue to purchase replacement equipment without a subsidy from the general operations of the City.

Response - We are implementing a rate increase and studying ways to increase the efficiency of the department to eliminate the deficit.

Conclusion - Response accepted.

(10) Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

(11) Determination of Accounts and Contracts Payable - At the end of each fiscal year, finance department interns determine the accounts and contracts payable that should be recognized in the City's financial statements. At June 30, 2008, they recognized over $4,109,000 of accounts and contracts payable, including approximately $218,000 incorrectly recorded as payables. However, they did not recognize an additional $149,000 of mostly contracts payable at June 30, 2008.

Recommendation - The interns should be instructed by their supervisor in the requirements for an item to be recognized as a payable at the end of the year. I would suggest that a written process be developed for the interns to use to determine when a payable should be recognized in the financial statements. An alternative would be for the interns to use a flow-chart process. In addition, the supervisor needs to provide closer direct supervision of the interns so that the auditors may maintain their independence by not being so closely involved in the initial determination of payables.

Response - We will be providing additional guidance to the interns and investigating the development of flow charts or materials to assist the interns in determining the appropriate classification at year end. These additional materials will be added to the written documents already included as part of the intern processes.

Conclusion - Response accepted.

(12) Financial Statement Classification and Valuation - It was noted that the City's financial statements required a significant number of material adjusting journal entries to properly classify and value the financial statement amounts. A system of internal control includes the controls over the preparation of the financial statements.

Recommendation - The initial determination of the financial statement classifications and amounts is determined by the finance department interns. Additional instruction and supervision should be given to the interns by their direct supervisor. In addition, the finance interns' supervisor should review their work on a regular basis to determine the correct classification and valuation of amounts in the financial statements.

Response - We will be providing additional guidance and supervision to the interns to assist with financial statement preparation, including the proper classification and valuation

Conclusion - Response accepted.

(13) Water Billing Shortages - A multi-year analysis of water pumped from the water distribution center versus water billed shows that a significant amount of water pumped is not being billed. Water may not be billed for a number of reasons, including water used for firefighting, line flushing, certain municipal processes, line leaks, etc. An acceptable unbilled percentage of water pumped is in the 15% range. The percentage of water billed has steadily decreased from 81% in FYE 1996 to 71% in FYE 2004. The percentages billed in 2005 and 2006 were 59% and 56%, respectively. These were the years when major improvements were being done to the water distribution system. All of the construction and testing were completed prior to the 2008 fiscal year. During FYE 2007 and 2008, records maintained by the water distribution supervisor and the water billing department show that only 60% and 63% of the water pumped form the water distribution plant was actually billed, respectively.

Recommendation - The City should investigate the calculation of water pumped to determine that it is being accurately measured. The City should also review its billing process to determine that all customers are being billed. Gallons of water billed has decreased approximately 4% since FY 2003, at the same time that gallons of water pumped have increased approximately 15%.

Response - We have requested, in the capital improvements budget, the purchase of eight leak detection transducers along with necessary training to identify leaks on unmetered service lines. We have not performed a leak detection of these small lines in a number of years.

Conclusion - Response accepted.

(14) Inclusion of Items in Inventory - Items of inventory (valves and meters) were not included in the water department year end inventory. The items had been purchased for a non-inventory account or there was uncertainty as to whether the items should be included in inventory.

Recommendation - The City should develop a written policy that specifies when items are to be charged out of inventory to a different expense category. The City should also develop a process to recognize the cost of new and replacement meters.

Response - We will meet with the individuals responsible for recording and allocating costs and determine appropriate procedures for accurately recording inventory at year end.

Conclusion - Response accepted.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mason City, Iowa, during the course of my audit.

Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Douglas E Kraulage

January 6, 2009