

CITY OF MASON CITY, IOWA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010

- Prepared By -

The Department of Finance  
Kevin Jacobson, Director

**INTRODUCTORY  
SECTION**

CITY OF MASON CITY, IOWA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED JUNE 30, 2010

T A B L E O F C O N T E N T S

	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Table of Contents . . . . .	i-ii
City Officials . . . . .	iii
Organizational Chart . . . . .	iv
Transmittal Letter . . . . .	v-xi
Certificate of Achievement . . . . .	xii
	<u>Exhibit</u>
<b><u>FINANCIAL SECTION</u></b>	
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 17-19
Statement of Revenues, Expenditures and Changes in Fund Balances . . . . .	4 20-22
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual . . . . .	5 23-24
Road Use Tax Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual . . . . .	6 25-26
Proprietary Funds:	
Statement of Net Assets . . . . .	7 27-30
Statement of Revenues, Expenses and Changes in Net Assets . . . . .	8 31-32
Statement of Cash Flows . . . . .	9 33-36
Fiduciary Funds:	
Statement of Net Assets . . . . .	10 37
Statement of Changes in Fiduciary Net Assets . . . . .	11 38
Notes to Financial Statements . . . . .	39-62
Required Supplementary Information:	
Other Post Employment Benefit Plan Schedule of Funding Progress . . . . .	63
	<u>Schedule</u>
Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet . . . . .	1 64-69
Combining Statement of Revenues, Expenditures and Changes in Fund Balance . . . . .	2 70-75
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual:	
Special Revenue Funds:	
ESGP . . . . .	3 76
ADDI . . . . .	4 77
Housing . . . . .	5 78
Community Growth TIF . . . . .	6 79
Gateway TIF . . . . .	7 80
Police Retirement . . . . .	8 81
Fire Retirement . . . . .	9 82
Employee Retirement . . . . .	10 83
Road Use Tax . . . . .	11 84
CEBA . . . . .	12 85
Library Trust . . . . .	13 86

Softball Improvement Trust . . . . .	14	87
Youth Softball Complex Trust . . . . .	15	88
LHAP 2000 . . . . .	16	89
Debt Service Fund . . . . .	17	90
Capital Projects Fund:		
Local Option Capital Improvement . . . . .	18	91
19 <sup>th</sup> Street SW Overpass . . . . .	19	92
Permanent Fund:		
MacNider Museum Trust . . . . .	20	93
Nonmajor Enterprise Funds:		
Combining Statement of Net Assets . . . . .	21	94-95
Combining Statement of Revenues, Expenses and Changes in Net Assets . . . . .	22	96-97
Combining Statement of Cash Flows . . . . .	23	98-101
Internal Service Funds:		
Combining Statement of Net Assets . . . . .	24	102
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets . . . . .	25	103
Combining Statement of Cash Flows . . . . .	26	104
Agency Fund:		
Statement of Changes in Assets and Liabilities:		
U.S. Savings Bond . . . . .	27	105
Capital Assets Used in the Operation of Governmental Funds:		
Schedule by Source . . . . .	28	106
Schedule by Function and Activity . . . . .	29	107-108
Schedule of Changes by Function and Activity . . . . .	30	109-110

**STATISTICAL SECTION**

Statistical Section . . . . .		111
Net Assets by Component . . . . .	1	112-113
Change in Net Assets . . . . .	2	114-117
Fund Balances - Governmental Funds . . . . .	3	118-119
Change in Fund Balance - Governmental Funds . . . . .	4	120-121
General Governmental Tax Revenues by Source . . . . .	5	122
Assessed and Actual Value of Taxable Property . . . . .	6	123-124
Property Tax Rates - Direct and Overlapping Governments . . . . .	7	125-126
Principal Property Tax Payers . . . . .	8	127-128
Property Tax Levies and Collections . . . . .	9	129-130
Ratio of Outstanding Debt by Type . . . . .	10	131-132
Ratio of Net General Obligation Bonded Debt to Assessed Value and Per Capita . . . . .	11	133
Direct and Overlapping Governmental Activities Debt . . . . .	12	134
Legal Debt Margin Information . . . . .	13	135-136
Pledged Revenue Coverage - Sewer . . . . .	14	137
Pledged Revenue Coverage - Water . . . . .	15	138
Demographic Statistics . . . . .	16	139
Principal Employers . . . . .	17	140-141
Full-Time Equivalent City Employees by Function . . . . .	18	142-143
Operating Indicators by Function/Program . . . . .	19	144-145
Capital Asset Statistics by Function/Program . . . . .	20	146-147

**COMPLIANCE SECTION**

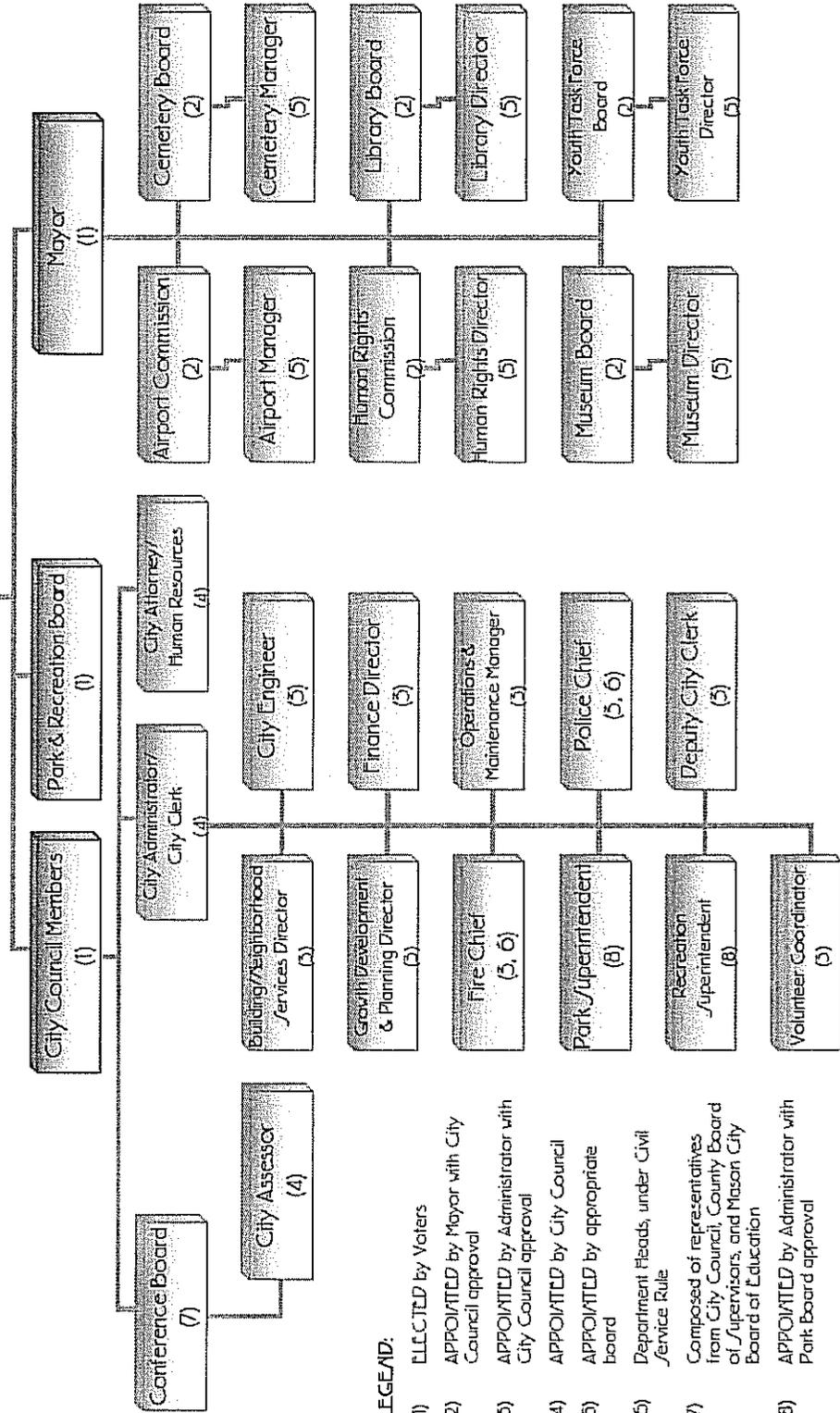
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> . . . . .		148-149
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 . . . . .		150-151
Schedule of Expenditures of Federal Awards . . . . .		152-155
Schedule of Selected Expenditures of State Awards . . . . .		156
Notes to Schedule of Expenditures of Federal Awards . . . . .		157
Schedule of Findings and Questioned Costs . . . . .		158-165
Corrective Action Plan for Federal Audit Findings . . . . .		166
Summary Audit Schedule of Prior Audit Findings . . . . .		167
Certification of Contracting Opportunities . . . . .		168

CITY OF MASON CITY, IOWA  
CITY OFFICIALS  
YEAR ENDED JUNE 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Bang	Mayor (through 12-31-09)	2010
Eric Bookmeyer	Mayor (as of 1-1-10)	2014
Scott Tornquist	Mayor Pro-Tem	2014
Jeff Marsters	Council Member	2012
Don Nelson	Council Member	2012
Max Weaver	Council Member	2012
Travis Hickey	Council Member (as of 1-1-10)	2014
Janet Solberg	Council Member (as of 1-1-10)	2014
John Jaszewski	Council Member (through 12-31-09)	2010
Steve Tynan	Council Member (through 12-31-09)	2010
Brent Trout	City Administrator/Clerk	2010
Mark Rahm	Public Works Director	2010
Kevin Jacobson	Director of Finance/Treasurer	2010
Tom Meyer	City Attorney/Human Resources Manager	2010
James Locher	Airport Attorney	2010
Michael Lashbrook	Police Chief	2010
Bob Platts	Fire Chief	2010
Pamela Myhre	Growth Development and Planning Director	2010
William Stangler	Operations and Maintenance Manager	2010
William Stangler	Parks Manager	2010
Dan Brown (retired 9-16-09)	Recreation Manager	2010
Brian Pauly	Interim Recreation Manager	2010
Pam Osgood	Airport Manager	2010
Edith Blanchard	MacNider Museum Director	2010
Mary Markwalter	Library Director	2010
Randy Opheim	Elmwood Cemetery Manager	2010
Lionel Foster	Human Rights Director	2010

# City of Mason City

## CITIZENS



### LEGEND:

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



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December 29, 2010

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, 2010 (FY10) is submitted herewith in accordance with the provisions of Section 384.22 of the Code of Iowa, 1995, as amended, the recommendations of the Government Finance Officers Association and in conformity with accounting principles generally accepted in the United States of America.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and compliance. 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, 2009. 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, 2010, 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. The compliance section encompasses requirements related to the single audit, various federal and state grants, and statutory and regulatory compliance.

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 City's Growth Development & Planning Department continues its planning and economic development efforts to spur development and redevelopment in the community in accordance with the City's Comprehensive Plan and City Council goals. The June 8, 2008 flood event in the community continues to focus the department's efforts on residential property buyouts and demolition activities. A Buyout Administrator and two demolition monitors assist in this estimated 3-year project. Over 150 houses will be purchased and either demolished or moved, and the land will become permanent public open space. Over 80 homes have been purchased to date. Fortunately, the business and industrial areas of the community had limited flood losses.

The City continues 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 along with the newly created North Iowa Corridor Economic Development Corporation (NICEDC). The NICEDC is a new, county-wide economic development corporation that has merged the assets and efforts of Mason City, Clear Lake and Cerro Gordo County to market the entire county, assist local industries and attract new capital investment and jobs.

The NICEDC is partially funded by the City to serve as the City's economic development marketing and recruitment arm. They work with prospects, 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, 2008 flood. Key industries targeted by the NICEDC are wind energy, value-added agriculture and food processing, and warehousing.

Accomplishments for the past fiscal year include:

- New marketing and promotional materials created.
- Industrial park initiatives along the Avenue of the Saints and I-35 corridor, including new signage.
- Hosted IDED-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages.
- Leading effort to revisit HNTB corridor study regarding land use and economic opportunities along Hwy 122 between Mason City and Clear Lake.
- Assisted in development agreements for Aeron Advanced Manufacturing, YMH Torrance and Soy Energy (formerly Freedom Fuels) resulting in 67 new or retained jobs.

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, remains a competitive force for economic development in the region.

## EXPANDED AND NEW INDUSTRIES (7/1/09-6/30/10)

The valuation of expanded industrial development totaled approximately \$84,365 while new or expanded commercial and industrial development together totaled \$15,166,140. The Cargill Kitchen Solutions project was the front-runner for industrial development. The commercial sector experienced development of two new structures (Interpretative Center and Taco Bell) in addition to over 66 expansions, remodeling or improvement projects. Major developments in our commercial sector were the construction projects for the \$9,500,000 for Park Inn renovation, CEC Theatres for \$511,850, I.O.O.F. for \$441,850, VA Clinic for \$400,000, AEA 267 for \$245,158, and Prime & Wine for \$223,565.

Other commercial and industrial ventures such as Mercy Medical Center, Cabin Coffee, Mason City Tire, N.I.A.C.O.G., Animal Medical Hospital, Little Caesar's Pizza, Sherwin Williams, Maurices, North Iowa Community Action/Family Health, also 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. The City of Mason City saw a remodel project for the Band Shell completed during this period.

## DOWNTOWN

The City's obligation to the local Vision Iowa projects involves a \$2.6 million Federal Avenue and Plaza streetscape renovation and over \$1.3 million in new underground utility improvements. The project is underway with the local engineering firm WHKS and the Des Moines planning and design firm RDG. It will have a major impact on the face of downtown along with the restoration of the Frank Lloyd Wright designed Park Inn Hotel/City National Bank buildings into the new Historic Park Inn Hotel, with restaurant and meeting space. The City will also provide a \$600,000 parking solution for the hotel project. The projects will be completed by Summer 2011.

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

- Conducted promotional events including ValenWine, the Friday Night Live summer concert series and Home for the Holidays.
- Installed new "Wayfinding" signage in the downtown area.
- Two successful Challenge Grants were received from Main Street Iowa totaling \$100,000 which will result in 8 new, market-rate upper-story residential units downtown. The grants will leverage approximately \$600,000 in improvements in two historically significant structures.
- Completed a Real Estate and Retail Market Analysis of the downtown.
- Continued recognition as a National Main Street Community.
- Organized and facilitated, for the 2<sup>nd</sup> year, the new downtown Mason City Market, a Saturday morning farmers' market in Central Park.

## HOUSING

Housing construction for Fiscal Year 2010 included 23 single-family dwellings, one multi-family condominium (50 units), and one duplex (two units), for a total of 75 new housing units. The number of single family dwelling units built is higher than that of previous years. 20 single-family dwellings and one three-plex were demolished. After reducing the number of housing units built by the number demolished, the net gain for housing in FY10 totals 52 dwelling units for the community.

**TRAFFIC**

In 2011, 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.

The 19<sup>th</sup> Street SW Railroad Overpass Project included the construction of a railroad overpass bridge, 630 feet in length and 62 feet wide. In addition, bridge approach pavement on 19<sup>th</sup> Street SW totaled 1245 feet of 4-lane pavement. The project also included an extension of South Polk Avenue, a 31 foot wide paved street extending south from 19<sup>th</sup> Street SW approximately 300 feet.

The South Monroe Avenue Street Improvements Project included widening of the existing pavement between 15<sup>th</sup> Street SW to 19<sup>th</sup> Street SW. The widening of this section of roadway has added a center turn lane, curb and gutter and included new traffic signals at 19<sup>th</sup> Street SW.

**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, 2010 provided instances of material weakness in the internal control structure.

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, 2010.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$15,370,493	53.13%
Licenses and Permits	526,228	1.82
Intergovernmental	10,498,571	36.29
Service Revenues	766,049	2.64
Fines and Forfeitures	73,912	0.26
Use of Monies and Properties	1,020,885	3.52
Special Assessments	16,569	0.08
Miscellaneous	620,778	2.14
Refunds	34,447	0.12
Total	<u>\$28,927,932</u>	<u>100.00%</u>

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2010.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$ 8,377,479	22.06%
Public Works	3,238,173	8.53
Health and Social Services	765,063	2.01
Culture and Recreation	2,881,237	7.59
Community & Economic Development	7,278,193	19.17
General Government	2,469,483	6.50
Capital Projects	9,878,334	26.02
Debt Service	3,082,653	8.12
Total	<u>\$37,970,615</u>	<u>100.00%</u>

#### GENERAL FUND BALANCE

The General Fund closed the FY10 with a fund balance of \$8,525,858 compared to \$7,263,027 on June 30, 2009. This was due to a \$1,262,831 increase of revenues over expenditures for FY10.

#### ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$87,043 in FY10, an increase of 6.9% from FY09. Operating expenses were \$296,820 in FY10, an increase of 6.9% from FY09. Net income was \$(4,657) in FY10, an 84.9% increase from FY09.
2. Waterworks Fund - Operating revenues were \$4,979,982 in FY10, an increase of 7.2% from FY09. Operating expenses were \$4,649,473 in FY10, an increase of 4.9% from FY09. Net income was \$(65,094) in FY10, a 1.8% increase from FY09.
3. Sewer Rental Fund - Operating revenues were \$4,302,197 in FY10, an increase of 2.6% from FY09. Operating expenses were \$2,905,066 in FY10, an increase of 5.7% from FY09. Net income was \$1,181,337 in FY10, a 2.6% decrease from FY09.
4. Parking Lots Fund - Operating revenues were \$49,756 in FY10, an increase of 9.3% from FY09. Operating expenses were \$134,167 in FY10, an increase of 14.4% from FY09. Net income was \$18,744 in FY10, a 27.3% decrease from FY09.
5. Storm Sewer Fund - Operating revenues were \$287,411 in FY10, a decrease of 0.7% from FY09. Operating expenses were \$168,000 in FY10, an increase of 0.9% from FY09. Net income was \$107,560 in FY10, a 10.7% decrease from FY09.
6. Solid Waste Fund - Operating revenues were \$1,226,113 in FY10, a decrease of 0.4% from FY09. Operating expenses were \$1,231,087 in FY10, an increase of 2.5% from FY09. Net income was \$(95,086) in FY10, a 143.0% decrease from FY09.
7. Golf Course Fund - Operating revenues were \$438,227 in FY10, an increase of 1.8% from FY09. Operating expenses were \$453,101 in FY10, a decrease of 1.9% from FY09. Net income was \$18,090 in FY10, a 56.7% decrease from FY09.
8. Ambulance Fund - Operating revenues were \$1,465,961 in FY10, a decrease of 2.8% from FY09. Operating expenses were \$1,246,598 in FY10, a decrease of 5.2% from FY09. Net income was \$245,751 in FY10, a decrease of 14.6% from FY09.

#### 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, 2010:

	<u>Amount</u>	<u>RATIOS</u>	
		<u>Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Bonded Debt	\$22,218,194	2.16%	\$761.63

The City issued \$10,270,000 of General Obligation bonds and notes during the year as part of the library renovation and 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 \$492,919 on all investments for the year ended June 30, 2010.

For the fiscal periods ended June 30, 2010 and 2009, interest income was as follows:

<u>Fund Type</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
General Fund	\$127,232	\$181,595
Special Revenue Funds	254,043	344,795
Capital Projects Funds	5,948	49,328
Enterprise Funds	36,151	118,491
Permanent Funds	40,471	52,380
Debt Service Funds	7,821	15,715
Fiduciary Funds	76	26
Internal Service Funds	21,177	47,304
Total Interest Earned	<u>\$492,919</u>	<u>\$809,634</u>

The decrease in earnings on idle funds invested for the year ending June 30, 2010 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.

**FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING**

The City Council has adopted budget and fiscal policies. For the City's General Fund, the fund balance policy strives to maintain an unreserved, undesignated general fund balance no less than \$5,000,000. These funds are necessary to meet cash flow needs during the initial months of the new fiscal year as property tax revenue, the primary source of funding for general operations, is collected semi-annually with the vast majority of those taxes remitted to the City in the months of October and April. Fund balance policies are also set for Road Use Tax, LOST, Water, Sewer and Sanitation. During FY 2010, the City met all fund balance policies.

The City Council also adopted Debt Service, Investment and Fund Transfer policies. Each of these policies gives guidance to the Finance Department in establishing parameters to be used during the budget process. Also during the budget process, the City evaluates the property tax rate for comparison to other cities of similar size and to determine that there will be sufficient revenue to provide the services deemed necessary by the City Council. Fees and charges for services are also evaluated annually to ensure they keep pace with the cost of providing these specific services.

#### 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 FY10 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, 2009. This was the twenty-fourth 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, 2009

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, the discretely presented component unit, 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, 2010, 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 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and HMGP Voluntary Acquisition Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my reports, dated December 29, 2010 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 grant agreements and other matters. 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 considered in assessing the results of my audit.

The Management's Discussion & Analysis on pages 3 through 12 and other required supplementary information on page 63 are not a required part of the basic financial statements but are 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Mason City, Iowa. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have 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.



December 29, 2010

## **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, 2010. 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, 2010, by \$134.82 million (net assets). Of this amount, \$24.64 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 \$8.43 million.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$20.11 million, an increase of 0.75% as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8.31 million, or 37.7% of the total general fund expenditures.
- Total debt increased by \$8,445,000 (17.0%) during the current fiscal year. The City issued \$13.17 million of new bonds and retired \$4.72 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. Additional information on these legally separate entities can be found in Note 1 in the Notes to the Financial Statements.

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 27 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, HMGP Voluntary Acquisition fund and Debt Service 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 17-26 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 27-36 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 37-38 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 39-62 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 \$134,824,571 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net assets (78.7%) 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, 2010 and June 30, 2009.

#### **City of Mason City's Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current & other assets	\$40,159,058	\$39,829,615	\$ 8,050,330	\$ 7,927,439	\$ 48,209,388	\$ 47,757,054
Capital assets	91,640,879	77,614,481	72,705,221	71,200,557	164,346,100	148,815,038
Total assets	131,799,937	117,444,096	80,755,551	79,127,996	212,555,488	196,572,092
Long-term liabilities outstanding	21,269,337	14,665,712	31,710,904	30,442,181	52,980,241	45,107,893
Other liabilities	20,172,309	19,519,624	4,578,367	5,553,703	24,750,676	25,073,327
Total liabilities	41,441,646	34,185,336	36,289,271	35,995,884	77,730,917	70,181,220
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	67,769,666	60,958,677	38,361,919	38,209,810	106,131,585	99,168,487
Restricted	1,200,538	1,388,351	2,853,334	2,836,665	4,053,872	4,225,016
Unrestricted	21,388,087	20,911,732	3,251,027	2,085,637	24,639,114	22,997,369

A portion of the City of Mason City's net assets (3.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$24,639,114) 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 \$476,355 in unrestricted net assets for the City of Mason City's governmental activities. The increase in governmental activities is due to the cash remaining from the sale of bonds for the Library Renovation project. Those funds will be expended in the next fiscal year.

The government's net assets increased by \$8,433,699 for the current fiscal year. Most of the increase was due to the addition of the 19<sup>th</sup> Street Overpass, the Airport taxiway and terminal ramp projects and the MacNider campground upgrade. New capital grants used for various street and sewer projects also contributed to the increase in net assets.

### City of Mason City Change in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Charges for services	\$ 1,715,593	\$ 1,531,400	\$ 12,896,588	\$ 12,481,198	\$ 14,612,181	\$ 14,012,598
Operating grants & contributions	2,380,822	1,970,043	188,313	584,695	2,569,135	2,554,738
Capital grants & contributions	7,737,713	4,828,170	206,190	270,810	7,943,903	5,098,980
<b>General Revenues:</b>						
Taxes	20,180,309	20,065,190	112,825	105,232	20,293,134	20,170,422
Investment earnings	1,068,587	795,157	133,399	198,766	1,201,986	993,923
Miscellaneous	32,770	310,443	93,300	170,119	126,070	480,562
Total revenues	33,115,794	29,500,403	13,630,615	13,810,820	46,746,409	43,311,223
<b>Expenses:</b>						
Public safety	8,897,795	8,776,634	-	-	8,897,795	8,776,634
Public works	6,910,495	6,912,927	-	-	6,910,495	6,912,927
Health & social services	779,197	769,456	-	-	779,197	769,456
Culture & recreation	3,475,535	3,720,434	-	-	3,475,535	3,720,434
Community & econ development	2,368,084	1,937,074	-	-	2,368,084	1,937,074
General government	2,593,594	2,668,372	-	-	2,593,594	2,668,372
Interest on debt	987,814	695,529	-	-	987,814	695,529
Water	-	-	5,244,979	5,047,464	5,244,979	5,047,464
Sewer	-	-	3,473,401	3,118,427	3,473,401	3,118,427
Other	-	-	3,581,816	3,613,749	3,581,816	3,613,749
Total expenses	26,012,514	25,480,426	12,300,196	11,779,640	38,312,710	37,260,066
Increase in net assets before transfers	7,103,280	4,019,977	1,330,419	2,031,180	8,433,699	6,051,157
Transfers	(3,749)	(65,630)	3,749	65,630	-	-
Increase in net assets	7,099,531	3,954,347	1,334,168	2,096,810	8,433,699	6,051,157
Net assets 7-1-2009	83,258,760	79,304,413	43,132,112	41,035,302	126,390,872	120,339,715
Net assets 6-30-2010	\$ 90,358,291	\$ 83,258,760	\$ 44,466,280	\$ 43,132,112	\$ 134,824,571	\$ 126,390,872

## **Governmental Activities**

The governmental activities' net assets for the City of Mason City increased by \$7,099,531 during the current fiscal year, accounting for 84.2% 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 \$1,334,168 for fiscal year 2010, accounting for 15.8% 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 3.3%. Utility rate increases of 6.75% for Water and 4.0% for Sewer were enacted July 1, 2010. As a comparison, utility rates increased 7% for Water and 4% for Sewer on July 1, 2009.

Operating expenses for business type activities increased by 4.4%. Expenses in the Water fund increased by 3.9% while Sewer expenses increased by 11.4%. The increase in Water and Sewer was due directly to the increase in operating costs such as wage adjustments and insurance premiums the City pays. Sewer expenses also included maintenance and repair costs for sewer lines.

## **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 \$20,109,337, an increase of \$145,197 in comparison with the prior year. The minimal increase is due mainly to an increase over the projected amount in local option sales tax collections for the fiscal year. The HMGP Voluntary Acquisition fund is a new major fund this year and has a fund balance due to an advanced draw on a state grant that funds the buyout of homes due to flooding. ADDI, Housing and Community Growth, all non-major governmental funds, had a reduction in fund balance for governmental funds. These funds had a drawdown of cash to help

balance their respective funds. 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 (\$61,631); 2) for cemetery perpetual care (\$505,269); 3) for Museum expenditures (\$633,638); and 4) prepaid expenditures (\$224,718).

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 \$8,311,761 while total fund balance reached \$8,525,858. 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 37.69% of total general fund expenditures, while total fund balance represents 38.66% of that same amount.

The General Fund balance increased by \$1,262,831. Major factors in this increase are as follows:

- The citizens of Mason City approved a bond issue for \$7,650,000 for the renovation of the public library.
- Local option sales tax receipts were considerably greater than projected, adding cash to the General Fund and there were unspent monies remaining at the end of the fiscal year.

The debt service fund has a total fund balance of \$61,631, all of which is reserved for the payment of future debt service. The net decrease of \$206,227 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:

- \$7,650,000 General Obligation bonds for the Mason City Public Library renovation project.
- \$900,000 General Obligation bonds for the water main replacement project.
- \$160,000 General Obligation bonds for Ambulance equipment.
- \$2,883,000 State Revolving loan funds for the Sewage Treatment rehabilitation project.

The basic governmental fund financial statements can be found on pages 17-26.

### ***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 \$4,457,018. Water reported a decrease in net assets of \$65,094 and Sewer reported an increase of \$1,181,338.

Rates were increased in the Water and Sewer 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 payment of debt for the 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 \$841,890 and the significant items are summarized as follows:

- Public safety expenses for overtime, Chapter 411 medical cost and office expense were increased by \$280,000.
- Health and Social Services was increased for Youth Task Force activities by \$230,000 originally not budgeted but funded through new state grants.
- Capital projects not completed the prior fiscal year were carried over totaling approximately \$250,000.

The variance between the amended budget and actual was due mainly to the additional expenses with public safety overtime and additional grant funds received and spent on social services activities as well as the timing of completion of the capital improvements projects which is normally the case with the June 30 fiscal year end.

### **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, 2010, amounts to \$164,346,100 (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 rehabilitation and intersection improvements were completed.
- Completion of the 19<sup>th</sup> Street Overpass.
- The Airport completed taxiway runway and ramp projects.
- Several parks enhancements including MacNider campgrounds were completed.
- Water main reroutes were completed.
- The inflow and infiltration project continues to update the sewer infrastructure.
- Construction was completed on the Sewer Treatment plant upgrade.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 2,634,356	\$ 2,634,356	\$ 4,823,362	\$ 4,823,362	\$ 7,457,718	\$ 7,457,718
Buildings & Structures	4,086,965	3,900,833	12,960,417	13,408,389	17,047,382	17,309,222
Other Improvements	19,221,271	13,941,327	214,478	215,288	19,435,749	14,156,615
Machinery & Equip	2,366,365	2,396,535	1,156,247	886,741	3,522,612	3,283,276
Vehicles	2,310,667	2,330,105	1,374,447	1,397,497	3,685,114	3,727,602
Infrastructure	47,593,944	38,312,245	37,449,508	37,310,058	85,043,452	75,622,303
Const in Progress	13,427,311	14,099,080	14,726,762	13,159,222	28,154,073	27,258,302
<b>Total</b>	<b>\$91,640,879</b>	<b>\$77,614,481</b>	<b>\$72,705,221</b>	<b>\$71,200,557</b>	<b>\$164,346,100</b>	<b>\$ 148,815,038</b>

Additional information on the City of Mason City's capital assets can be found in Note 6 on pages 50-51 of this report.

***Long-Term Debt***

The amount of debt outstanding at fiscal year end was \$58.03 million as compared to \$49.58 million last fiscal year. The increase is a result of new debt issued for the library renovation, water and sewer construction projects. Of the total general obligation debt outstanding, \$22.28 million is backed by the full faith and credit of the City. The remainder is either general obligation debt abated by enterprise revenues or revenue bonds secured solely by specified revenue sources, namely tax increment revenues, water or sewer revenues.

**City of Mason City's Outstanding Debt**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
General obligation	\$22,279,824	\$15,023,090	\$ 7,197,024	\$ 6,932,920	\$29,476,848	\$21,956,010
Revenue bonds	1,404,774	1,569,339	27,146,278	26,057,827	28,551,052	27,627,166
<b>Total</b>	<b>\$23,684,598</b>	<b>\$16,592,429</b>	<b>\$34,343,302</b>	<b>\$32,990,747</b>	<b>\$58,027,900</b>	<b>\$49,583,176</b>

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 page 54.

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 \$80,068,604 and the City of Mason City is currently at \$30,524,732 or 38.12% of our general obligation debt limit.

Additional information on the City of Mason City's long-term debt can be found in Note 9 on pages 54-57 of this report.

### ***Economic Factors and Next Year's Budget and Rates***

- The national average unemployment for June 2010 is 9.5%. The unemployment level for June 2009 was 9.9%. Cerro Gordo County's rate for June 2010 is 7.1%, and the state's rate is 6.7%.
- The hourly wage rate in Cerro Gordo County averaged \$15.72 for 2009 and \$15.85 for 4th quarter 2010.
- Retail sales in the Cerro Gordo County were \$643 million for fiscal year ending 2010, slightly down from \$667 million in fiscal year 2009 and \$651 million in fiscal year 2008.
- The total value of building permits for fiscal year 2010 was approximately \$31.4 million. This compares with an amount of \$38.3 million for fiscal year 2009.

### ***Next Year's Budget and Rates***

For FY 2011, 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.

The City is planning to reduce the amount of spending on improvements for water and sewer infrastructure other than grant funded projects. No increase in fees is being projected for FY 2012. There are capital projects currently under consideration for the FY 2012 budget. The capital projects will be funded with existing fund balances or new revenues from sales tax, road use tax, water and sewer charges for FY 2012. With no projected increases, the combined water, sewer, storm sewer and sanitation rates will be slightly above 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 1<sup>st</sup> Street N.W., Mason City, Iowa 50401.

CITY OF MASON CITY, IOWA  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS:</b>				
Current assets:				
Cash	\$ 9,972,290	\$ 3,056,987	\$ 13,029,277	\$336,875
Investments	12,586,349	250,050	12,836,399	-
Receivables:				
Taxes	13,061,282	115,649	13,176,931	-
Special assessments	172,502	23,114	195,616	-
Accounts (net)	396,439	1,868,566	2,265,005	41,240
Accrued interest	45,768	2,005	47,773	-
Notes	10,000	-	10,000	-
Internal balances	769,795	(769,795)	-	-
Due from other governments	2,290,587	186,992	2,477,579	-
Prepaid insurance	224,807	40,997	265,804	-
Inventory	22,738	418,806	441,544	-
Deferred charges	-	-	-	5,182
Total current assets	<u>\$ 39,552,557</u>	<u>\$ 5,193,371</u>	<u>\$ 44,745,928</u>	<u>\$383,297</u>
Noncurrent assets:				
Restricted assets:				
Cash	\$ 7,995	\$ 2,153,072	\$ 2,161,067	\$ -
Investments	496,429	700,000	1,196,429	-
Receivables	845	262	1,107	-
Notes receivable	80,000	-	80,000	-
Special assessments	21,232	3,625	24,857	-
Capital assets:				
Land and construction in progress	16,061,667	19,550,124	35,611,791	-
Other capital assets net of depreciation	75,579,212	53,155,097	128,734,309	15,661
Total noncurrent assets	<u>\$ 92,247,380</u>	<u>\$75,562,180</u>	<u>\$167,809,560</u>	<u>\$ 15,661</u>
Total assets	<u>\$131,799,937</u>	<u>\$80,755,551</u>	<u>\$212,555,488</u>	<u>\$398,958</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 1,495,126	\$ 381,617	\$ 1,876,743	\$ 2,351
Salaries payable	619,603	218,963	838,566	9,686
Contracts payable	1,441,878	595,647	2,037,525	-
Accrued compensated absences	1,017,620	297,923	1,315,543	9,121
Accrued interest payable	75,689	93,578	169,267	-
Due to other governments	3,282	21,913	25,195	-
Due to customers	-	82,833	82,833	-
Unearned revenue	12,917,235	118,296	13,035,531	-
Prepaid interments	-	47,138	47,138	-
Current portion of long-term debt:				
Bonds payable	2,601,876	2,720,459	5,322,335	-
Total current liabilities	<u>\$ 20,172,309</u>	<u>\$ 4,578,367</u>	<u>\$ 24,750,676</u>	<u>\$ 21,158</u>
Noncurrent liabilities:				
Bonds payable	\$ 21,075,124	\$31,622,843	\$ 52,697,967	\$ -
Net OPEB obligation	194,213	88,061	282,274	-
Total noncurrent liabilities	<u>\$ 21,269,337</u>	<u>\$31,710,904</u>	<u>\$ 52,980,241</u>	<u>\$ -</u>
Total liabilities	<u>\$ 41,441,646</u>	<u>\$36,289,271</u>	<u>\$ 77,730,917</u>	<u>\$ 21,158</u>

(continued)

CITY OF MASON CITY, IOWA  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>NET ASSETS:</b>				
Invested in capital assets--net of related debt	\$67,769,666	\$38,361,919	\$106,131,585	\$ 15,661
Restricted for:				
Nonexpendable:				
Museum funding	633,638	-	633,638	-
Perpetual care	505,269	-	505,269	-
Expendable:				
Bond retirement	61,631	2,853,334	2,914,965	-
Unrestricted	<u>21,388,087</u>	<u>3,251,027</u>	<u>24,639,114</u>	<u>362,139</u>
<b>Total net assets</b>	<b><u>\$90,358,291</u></b>	<b><u>\$44,466,280</u></b>	<b><u>\$134,824,571</u></b>	<b><u>\$377,800</u></b>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Public safety	\$ 8,897,795	\$ 287,781	\$ 157,769
Public works	6,910,495	407,349	226,976
Health and social services	779,197	1,984	507,646
Culture and recreation	3,475,535	458,412	354,948
Community and economic development	2,368,084	177,801	1,133,483
General government	2,593,594	382,266	-
Interest on long-term debt	987,814	-	-
Total governmental activities	<u>\$26,012,514</u>	<u>\$ 1,715,593</u>	<u>\$2,380,822</u>
Business-type activities:			
Cemetery	\$ 300,661	\$ 87,043	\$ -
Water	5,244,979	4,979,982	138,566
Sewer	3,473,401	4,304,033	69,302
Parking lots	135,289	107,818	-
Storm sewer	182,262	287,411	-
Solid waste	1,244,442	1,226,113	(19,555)
Golf course	453,765	438,227	-
Ambulance	1,265,397	1,465,961	-
Total business-type activities	<u>\$12,300,196</u>	<u>\$12,896,588</u>	<u>\$ 188,313</u>
Total primary government	<u>\$38,312,710</u>	<u>\$14,612,181</u>	<u>\$2,569,135</u>
Component unit:			
Mason City Housing Authority	<u>\$ 1,905,969</u>	<u>\$ 1,983,368</u>	<u>\$ -</u>
General Revenues:			
Property taxes			
Other taxes			
Road use tax			
Unrestricted state utility tax replacement			
Grants and contributions not restricted to specific program			
Unrestricted investment income			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets - beginning			
Net assets - ending			

See Notes to Financial Statements.

Net (Expense) Revenue and Change in Net Assets  
Primary Government

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ -	\$ (8,452,245)	\$ -	\$ (8,452,245)	\$ -
1,531,688	(4,744,482)	-	(4,744,482)	-
-	(269,567)	-	(269,567)	-
525,337	(2,136,838)	-	(2,136,838)	-
5,680,688	4,623,888	-	4,623,888	-
-	(2,211,328)	-	(2,211,328)	-
-	(987,814)	-	(987,814)	-
<u>\$7,737,713</u>	<u>\$ (14,178,386)</u>	<u>\$ -</u>	<u>\$ (14,178,386)</u>	<u>\$ -</u>
\$ -	\$ -	\$ (213,618)	\$ (213,618)	\$ -
-	-	(126,431)	(126,431)	-
206,190	-	1,106,124	1,106,124	-
-	-	(27,471)	(27,471)	-
-	-	105,149	105,149	-
-	-	(37,884)	(37,884)	-
-	-	(15,538)	(15,538)	-
-	-	200,564	200,564	-
<u>\$ 206,190</u>	<u>\$ -</u>	<u>\$ 990,895</u>	<u>\$ 990,895</u>	<u>\$ -</u>
<u>\$7,943,903</u>	<u>\$ (14,178,386)</u>	<u>\$ 990,895</u>	<u>\$ (13,187,491)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 77,399
	\$ 13,104,150	\$ 112,825	\$ 13,216,975	-
	4,435,891	-	4,435,891	-
	2,466,138	-	2,466,138	-
	174,130	-	174,130	-
	19,107	-	19,107	-
	1,068,587	133,399	1,201,986	2,862
	13,663	93,300	106,963	-
	(3,749)	3,749	-	-
	<u>\$ 21,277,917</u>	<u>\$ 343,273</u>	<u>\$ 21,621,190</u>	<u>\$ 2,862</u>
	\$ 7,099,531	\$ 1,334,168	\$ 8,433,699	\$ 80,261
	83,258,760	43,132,112	126,390,872	297,539
	<u>\$ 90,358,291</u>	<u>\$44,466,280</u>	<u>\$134,824,571</u>	<u>\$377,800</u>

CITY OF MASON CITY, IOWA  
 GOVERNMENTAL FUNDS  
 BALANCE SHEET  
 AS OF JUNE 30, 2010

	General	HMGP Voluntary Acquisition
<b>ASSETS:</b>		
Cash	\$ 5,784,753	\$ -
Investments	3,425,000	-
Receivables:		
Property taxes	8,338,218	-
Other taxes	6,221	-
Accrued interest	30,015	-
Special assessments - current	96,069	-
Special assessments - deferred	17,291	-
Accounts (net)	56,163	-
Notes	-	-
Due from other funds	1,576,443	-
Due from state government	304,431	1,368,201
Due from federal government	73,661	-
Prepaid insurance	214,097	-
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
<b>Total assets</b>	<b>\$19,922,362</b>	<b>\$1,368,201</b>
 <b>LIABILITIES AND FUND BALANCE:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 626,859	\$ 50
Salaries payable	561,797	1,553
Contracts payable	950,578	-
Accrued vacation payable	931,949	-
Due to other funds	90,799	1,305,362
Due to state government	2,810	-
Deferred revenue	8,231,712	32,342
<b>Total liabilities</b>	<b>\$11,396,504</b>	<b>\$1,339,307</b>
 <b>Fund balances:</b>		
<b>Reserved for:</b>		
Museum funding	\$ -	\$ -
Debt service	-	-
Prepaid insurance	214,097	-
Perpetual care	-	-
<b>Unreserved:</b>		
General	8,311,761	-
Special revenue	-	28,894
Capital project	-	-
Permanent	-	-
<b>Total fund balances</b>	<b>\$ 8,525,858</b>	<b>\$ 28,894</b>
<b>Total liabilities and fund balance</b>	<b>\$19,922,362</b>	<b>\$1,368,201</b>

(continued)

<u>Debt</u> <u>Service</u>	<u>Other</u> <u>Governmental</u>	<u>Total</u>
\$ -	\$ 3,688,391	\$ 9,473,144
-	7,735,593	11,160,593
2,818,121	1,122,510	12,278,849
-	-	6,221
-	12,940	42,955
-	76,433	172,502
-	3,941	21,232
-	340,277	396,440
-	10,000	10,000
140,000	461,584	2,178,027
-	544,293	2,216,925
-	-	73,661
-	10,621	224,718
-	7,995	7,995
-	496,429	496,429
-	845	845
<u>\$2,958,121</u>	<u>\$14,511,852</u>	<u>\$38,760,536</u>

\$ 341	\$ 191,801	\$ 819,051
-	48,573	611,923
-	491,300	1,441,878
-	72,872	1,004,821
113,419	1,126,455	2,636,035
-	472	3,282
<u>2,782,730</u>	<u>1,087,425</u>	<u>12,134,209</u>
<u>\$2,896,490</u>	<u>\$ 3,018,898</u>	<u>\$18,651,199</u>

\$ -	\$ 633,638	\$ 633,638
61,631	-	61,631
-	10,621	224,718
-	505,269	505,269
-	-	8,311,761
-	9,513,471	9,542,365
-	654,364	654,364
-	175,591	175,591
<u>\$ 61,631</u>	<u>\$11,492,954</u>	<u>\$20,109,337</u>
<u>\$2,958,121</u>	<u>\$14,511,852</u>	<u>\$38,760,536</u>

CITY OF MASON CITY, IOWA  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

Fund balances—total governmental funds		\$20,109,337
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.		22,738
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		80,374
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		91,575,316
Internal service funds, net assets		2,517,428
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:		
Bonds payable	\$(23,684,598)	
Accrued interest	(75,689)	
Bond discount	7,598	
Net OPEB obligation	<u>(194,213)</u>	<u>(23,946,902)</u>
Net assets of governmental activities		<u>\$90,358,291</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>HMGP Voluntary Acquisition</u>
<b>REVENUES:</b>		
Property taxes	\$ 8,066,723	\$ -
TIF revenues	-	-
Other taxes	3,030,106	-
Licenses and permits	526,228	-
Intergovernmental	1,803,825	5,597,992
Charges for service	668,103	-
Fines and forfeitures	73,912	-
Use of money and property	425,976	-
Special assessments	14,414	-
Miscellaneous	527,761	1,695
Refunds	34,447	-
Total revenues	<u>\$15,171,495</u>	<u>\$5,599,687</u>
<b>EXPENDITURES:</b>		
Current:		
Public safety	\$ 7,496,761	\$ -
Public works	912,233	-
Health & social services	737,266	-
Culture & recreation	2,664,766	-
Community & economic development	954,838	5,570,793
General government	2,355,989	-
Capital projects	6,930,922	-
Debt service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	<u>\$22,052,775</u>	<u>\$5,570,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,881,280)</u>	<u>\$ 28,894</u>
Other financing sources (uses):		
Issuance of general obligation bonds	\$ 7,548,900	\$ -
Premium/Discount on Bonds	-	-
Transfers in	1,038,255	-
Transfers out	(443,044)	-
Total other financing sources (uses)	<u>\$ 8,144,111</u>	<u>\$ -</u>
Net change in fund balance	\$ 1,262,831	\$ 28,894
Fund balance beginning of year	<u>7,263,027</u>	<u>-</u>
Fund balance end of year	<u>\$ 8,525,858</u>	<u>\$ 28,894</u>

(continued)

<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
\$2,093,512	\$ 1,066,861	\$11,227,096
-	1,113,291	1,113,291
-	1,579,915	4,610,021
-	-	526,228
-	4,518,825	11,920,642
-	430,781	1,098,884
-	-	73,912
7,821	612,758	1,046,555
-	2,155	16,569
-	107,549	637,005
-	-	34,447
<u>\$2,101,333</u>	<u>\$ 9,432,135</u>	<u>\$32,304,650</u>
\$ -	\$ 880,718	\$ 8,377,479
-	2,486,765	3,398,998
-	27,797	765,063
-	324,031	2,988,797
-	752,562	7,278,193
-	113,494	2,469,483
-	6,692,291	13,623,213
2,117,833	-	2,117,833
955,151	-	955,151
9,669	-	9,669
<u>\$3,082,653</u>	<u>\$11,277,658</u>	<u>\$41,983,879</u>
<u>\$ (981,320)</u>	<u>\$ (1,845,523)</u>	<u>\$ (9,679,229)</u>
\$ 60,000	\$ 1,500,000	\$ 9,108,900
25,275	-	25,275
689,818	927,673	2,655,746
-	(1,522,451)	(1,965,495)
<u>\$ 775,093</u>	<u>\$ 905,222</u>	<u>\$ 9,824,426</u>
\$ (206,227)	\$ (940,301)	\$ 145,197
<u>267,858</u>	<u>12,433,255</u>	<u>19,964,140</u>
<u>\$ 61,631</u>	<u>\$11,492,954</u>	<u>\$20,109,337</u>

CITY OF MASON CITY, IOWA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances--total governmental funds \$ 145,197

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. (206,289)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 80,000

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	\$18,731,785	
Depreciation expense	<u>(4,338,667)</u>	14,393,118

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	\$2,117,833	
Issuance of debt	(9,134,175)	
Accrued interest	(22,991)	
Amortization of bond discount	(4,852)	
Other post-employment benefits	<u>(66,660)</u>	(7,110,845)

Internal service funds net change (201,650)

Change in net assets--governmental activities \$ 7,099,531

*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, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<b>REVENUES:</b>			
Property tax	\$ 8,043,563	\$ 8,043,563	\$ 8,066,723
Other tax	3,040,601	3,040,601	3,030,106
Licenses and permits	598,515	598,515	526,228
Intergovernmental	2,333,015	2,333,015	1,803,825
Charges for service	1,026,955	1,026,955	668,103
Fines and forfeitures	-	-	73,912
Use of money and property	340,500	340,500	425,976
Special assessments	-	-	14,414
Miscellaneous	1,703,554	2,318,494	527,761
Refunds	-	-	34,447
Total revenues	<u>\$17,086,703</u>	<u>\$17,701,643</u>	<u>\$15,171,495</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	\$ 7,335,466	\$ 7,616,141	\$ 7,496,761
Public works	945,738	965,738	912,233
Health & social services	743,356	980,907	737,266
Culture & recreation	2,792,189	2,813,439	2,664,766
Community & economic development	971,793	973,293	954,838
General government	2,469,998	2,512,098	2,355,989
Capital projects	10,679,001	10,917,815	6,930,922
Total expenditures	<u>\$25,937,541</u>	<u>\$26,779,431</u>	<u>\$22,052,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,850,838)</u>	<u>\$ (9,077,788)</u>	<u>\$ (6,881,280)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 7,650,000	\$ 7,668,000	\$ 7,548,900
Transfers in	954,203	954,203	1,038,255
Transfers out	(171,203)	(171,203)	(443,044)
Total other financing sources (uses)	<u>\$ 8,433,000</u>	<u>\$ 8,451,000</u>	<u>\$ 8,144,111</u>
Net change in fund balance	\$ (417,838)	\$ (626,788)	\$ 1,262,831
Fund balance beginning of year	-	-	7,263,027
Fund balance end of year	<u>\$ (417,838)</u>	<u>\$ (626,788)</u>	<u>\$ 8,525,858</u>

See Notes to Financial Statements.

Variance with  
Amended Budget  
Positive  
(Negative)

\$ 23,160  
 (10,495)  
 (72,287)  
 (529,190)  
 (358,852)  
 73,912  
 85,476  
 14,414  
 (1,790,733)  
 34,447  
\$ (2,530,148)

\$ 119,380  
 53,505  
 243,641  
 148,673  
 18,455  
 156,109  
 3,986,893  
\$ 4,726,656

\$ 2,196,508

\$ (119,100)  
 84,052  
(271,841)

\$ (306,889)

\$ 1,889,619

7,263,027

\$ 9,152,646

CITY OF MASON CITY, IOWA  
 HMGP VOLUNTARY ACQUISITION FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Amended Budget	Actual
<b>REVENUES:</b>			
Intergovernmental:			
Federal assistance	\$5,500,000	\$5,500,000	\$5,597,992
Miscellaneous	-	-	1,695
Total revenues	\$5,500,000	\$5,500,000	\$5,599,687
<b>EXPENDITURES:</b>			
Current:			
Community & economic development:			
Personal service	\$ -	\$ -	\$ 33,486
Contractual	5,500,000	5,500,000	5,522,691
Commodities	-	-	14,616
Total expenditures	\$5,500,000	\$5,500,000	\$5,570,793
Net change in fund balance	\$ -	\$ -	\$ 28,894
Fund balance beginning of year	-	-	-
Fund balance end of year	\$ -	\$ -	\$ 28,894

See Notes to Financial Statements.

Variance with  
Amended Budget  
Positive  
(Negative)

\$ 97,992  
1,695  
\$ 99,687

\$ (33,486)  
(22,691)  
(14,616)  
\$ (70,793)

\$ 28,894

-  
\$ 28,894

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 AS OF JUNE 30, 2010

	<u>Waterworks</u>	<u>Sewer Rental</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 1,271,395	\$ 997,938
Investments (at cost)	-	-
Receivables:		
Property taxes	-	-
Special assessments - current	-	23,114
Special assessments - deferred	-	3,625
Accounts (net)	587,198	506,576
Accrued interest	451	1,057
Inventory	269,322	54,390
Due from other funds	87,944	486,446
Due from state government	110,518	71,534
Prepaid insurance	21,360	15,827
Total current assets	<u>\$ 2,348,188</u>	<u>\$ 2,160,507</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 1,449,728	\$ 703,344
Investments	350,000	350,000
Accrued interest	110	152
Total restricted assets	<u>\$ 1,799,838</u>	<u>\$ 1,053,496</u>
Property, plant and equipment:		
Land	\$ 167,220	\$ 316,209
Buildings	14,720,379	-
Equipment	854,929	907,703
Distribution system	30,522,343	-
Meters	1,094,180	-
Plant and improvements	-	13,333,103
Sewer lines and lifts	-	15,647,511
Improvements	-	-
Vehicles	499,929	840,421
Construction in progress	87,364	14,633,882
Total property, plant and equipment	<u>\$47,946,344</u>	<u>\$45,678,829</u>
Less accumulated depreciation	<u>(12,997,318)</u>	<u>(17,195,133)</u>
Net property, plant and equipment	<u>\$34,949,026</u>	<u>\$28,483,696</u>
Total noncurrent assets	<u>\$36,748,864</u>	<u>\$29,537,192</u>
Total assets	<u>\$39,097,052</u>	<u>\$31,697,699</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 787,655	\$ 3,056,988	\$ 499,145
250,050	250,050	1,425,756
115,648	115,648	776,212
-	23,114	-
-	3,625	-
774,792	1,868,566	-
497	2,005	2,438
95,094	418,806	-
113,137	687,527	89,064
4,940	186,992	-
3,810	40,997	89
<u>\$ 2,145,623</u>	<u>\$ 6,654,318</u>	<u>\$2,792,704</u>
\$ -	\$ 2,153,072	\$ -
-	700,000	-
-	262	-
<u>\$ -</u>	<u>\$ 2,853,334</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,823,362	\$ -
1,471,560	16,191,939	-
1,027,425	2,790,057	105,098
-	30,522,343	-
-	1,094,180	-
-	13,333,103	-
3,951,280	19,598,791	-
3,061,977	3,061,977	-
1,564,691	2,905,041	85,174
5,516	14,726,762	-
<u>\$15,422,382</u>	<u>\$109,047,555</u>	<u>\$ 190,272</u>
<u>(6,149,883)</u>	<u>(36,342,334)</u>	<u>(124,709)</u>
<u>\$ 9,272,499</u>	<u>\$ 72,705,221</u>	<u>\$ 65,563</u>
<u>\$ 9,272,499</u>	<u>\$ 75,558,555</u>	<u>\$ 65,563</u>
<u>\$11,418,122</u>	<u>\$ 82,212,873</u>	<u>\$2,858,267</u>

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 AS OF JUNE 30, 2010

	<u>Waterworks</u>	<u>Sewer Rental</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 109,022	\$ 123,628
Salaries payable	64,008	45,492
Contracts payable	146,743	448,904
Accrued vacation payable	89,086	83,468
Accrued interest payable	44,156	47,538
Due to other funds	1,943	141,241
Due to state government	19,163	-
Due to customers	82,833	-
General obligation bonds	419,143	265,313
General obligation notes	-	-
Revenue bonds	970,000	897,000
Prepaid interments	-	-
Unearned revenue	-	3,625
Total current liabilities	<u>\$ 1,946,097</u>	<u>\$ 2,056,209</u>
Long-term debt:		
General obligation bonds	\$ 2,576,394	\$ 3,284,284
General obligation notes	-	-
Revenue bonds	12,520,000	12,969,992
Unamortized bond discount	(81,095)	(129,619)
Net OPEB obligation	29,064	18,744
Total long-term debt	<u>\$15,044,363</u>	<u>\$16,143,401</u>
Total liabilities	<u>\$16,990,460</u>	<u>\$18,199,610</u>
Net assets:		
Invested in capital assets, net of related debt	\$18,544,584	\$11,196,727
Restricted for:		
Bond retirement	1,799,838	1,053,496
Unrestricted	<u>1,762,170</u>	<u>1,247,866</u>
Total net assets	<u>\$22,106,592</u>	<u>\$13,498,089</u>

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

Net assets of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 148,967	\$ 381,617	\$ 676,074
109,463	218,963	7,680
-	595,647	-
125,369	297,923	12,799
1,884	93,578	-
108,147	251,331	67,251
2,750	21,913	-
-	82,833	-
95,000	779,456	-
74,003	74,003	-
-	1,867,000	-
47,138	47,138	-
114,671	118,296	783,026
<u>\$ 827,392</u>	<u>\$ 4,829,698</u>	<u>\$1,546,830</u>
\$ 200,000	\$ 6,060,678	\$ -
282,887	282,887	-
-	25,489,992	-
-	(210,714)	-
40,253	88,061	-
<u>\$ 523,140</u>	<u>\$31,710,904</u>	<u>\$ -</u>
<u>\$ 1,350,532</u>	<u>\$36,540,602</u>	<u>\$1,546,830</u>
\$ 8,620,608	\$38,361,919	\$ 65,563
-	2,853,334	-
<u>1,446,982</u>	<u>4,457,018</u>	<u>1,245,874</u>
<u>\$10,067,590</u>	<u>\$45,672,271</u>	<u>\$1,311,437</u>
	<u>(1,205,991)</u>	
	<u>\$44,466,280</u>	

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Waterworks</u>	<u>Sewer Rental</u>
<b>Operating revenues:</b>		
Charges for service	\$ 4,979,982	\$ 4,302,197
Health insurance contributions	-	-
Total operating revenues	<u>\$ 4,979,982</u>	<u>\$ 4,302,197</u>
<b>Operating expenses:</b>		
Business type activities:		
Personal service	\$ 1,472,153	\$ 1,065,571
Contractual	936,933	595,457
Commodities	852,608	305,441
Other	53,359	47,759
Depreciation	1,322,799	890,457
Amortization	11,621	381
Total operating expenses	<u>\$ 4,649,473</u>	<u>\$ 2,905,066</u>
Operating income (loss)	<u>\$ 330,509</u>	<u>\$ 1,397,131</u>
<b>Nonoperating revenues (expenses):</b>		
Property taxes	\$ -	\$ -
Intergovernmental	138,566	69,302
Fines and forfeitures	-	-
Use of money and property	51,438	15,445
Special assessments	-	751
Miscellaneous	1,931	13,411
Interest	(569,538)	(554,180)
Gain on disposal of assets	-	4,232
Total nonoperating revenue (expense)	<u>\$ (377,603)</u>	<u>\$ (451,039)</u>
Income (loss) before contributions and transfers	<u>\$ (47,094)</u>	<u>\$ 946,092</u>
<b>Contributions and transfers:</b>		
Transfers in	\$ -	\$ 47,056
Transfers out	(18,000)	(18,000)
Capital contributions	-	206,190
Total contributions and transfers	<u>\$ (18,000)</u>	<u>\$ 235,246</u>
Change in net assets	\$ (65,094)	\$ 1,181,338
Net assets beginning of year	<u>22,171,686</u>	<u>12,316,751</u>
Net assets end of year	<u>\$22,106,592</u>	<u>\$13,498,089</u>

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

Change in net assets of business-type activities

*See Notes to Financial Statements.*

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 3,554,511	\$12,836,690	\$ 245,849
-	-	2,382,832
<u>\$ 3,554,511</u>	<u>\$12,836,690</u>	<u>\$2,628,681</u>
\$ 2,266,497	\$ 4,804,221	\$2,803,721
573,392	2,105,782	12,470
256,927	1,414,976	18,802
5,861	106,979	-
427,096	2,640,352	14,475
-	12,002	-
<u>\$ 3,529,773</u>	<u>\$11,084,312</u>	<u>\$2,849,468</u>
<u>\$ 24,738</u>	<u>\$ 1,752,378</u>	<u>\$ (220,787)</u>
\$ 112,825	\$ 112,825	\$ 763,763
(19,555)	188,313	-
58,062	58,062	-
66,516	133,399	21,657
1,085	1,836	-
77,958	93,300	197
(23,918)	(1,147,636)	-
-	4,232	-
<u>\$ 272,973</u>	<u>\$ (555,669)</u>	<u>\$ 785,617</u>
<u>\$ 297,711</u>	<u>\$ 1,196,709</u>	<u>\$ 564,830</u>
\$ 66,400	\$ 113,456	\$ -
(73,707)	(109,707)	(694,000)
-	206,190	-
<u>\$ (7,307)</u>	<u>\$ 209,939</u>	<u>\$ (694,000)</u>
\$ 290,404	\$ 1,406,648	\$ (129,170)
<u>9,777,186</u>		<u>1,440,607</u>
<u>\$10,067,590</u>		<u>\$1,311,437</u>
	<u>(72,480)</u>	
	<u>\$ 1,334,168</u>	

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2010

	<u>Waterworks</u>	<u>Sewer Rental</u>
Cash flows from operating activities:		
Cash received from interfund charges	\$ -	\$ -
Cash received from employees and others	-	-
Cash received from customers	5,314,399	4,250,200
Cash paid to employees for services	(1,441,810)	(1,042,658)
Cash paid to other suppliers of goods or services	(2,376,246)	(1,212,697)
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	<u>\$ 1,531,451</u>	<u>\$ 1,994,845</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ -	\$ -
Transfers in	-	47,056
Transfers out	(18,000)	(18,000)
Intergovernmental proceeds	140,410	4,859
Advance repayment from other funds	-	-
Net cash provided (used) by non-capital financing activities	<u>\$ 122,410</u>	<u>\$ 33,915</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (606,483)	\$ (4,105,424)
Principal payments	(1,274,816)	(1,123,916)
Interest payments	(570,381)	(557,132)
Proceeds from issuance of bonds	900,000	2,883,451
Capital contributions	-	378,011
Net cash provided (used) for capital and related financing activities	<u>\$ (1,551,680)</u>	<u>\$ (2,525,010)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 3,300,000	\$ 2,700,000
Purchase of investments	(2,000,000)	(1,750,000)
Interest received	18,340	16,278
Rent received on investment property	-	-
Net cash provided (used) by investing activities	<u>\$ 1,318,340</u>	<u>\$ 966,278</u>
Net increase (decrease) in cash	\$ 1,420,521	\$ 470,028
Cash beginning of year	<u>1,300,602</u>	<u>1,231,254</u>
Cash end of year	<u>\$ 2,721,123</u>	<u>\$ 1,701,282</u>
Noncash capital, investing and financing activities:		
Capital contributions	<u>\$ -</u>	<u>\$ (171,821)</u>
Increase in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$2,292,936
-	-	337,241
3,572,731	13,137,330	-
(2,121,837)	(4,606,305)	(170,835)
(1,074,989)	(4,663,932)	(76,518)
-	-	(2,522,236)
-	35,108	-
<u>136,020</u>	<u>136,020</u>	<u>(67,167)</u>
<u>\$ 511,925</u>	<u>\$ 4,038,221</u>	<u>\$ (206,579)</u>
\$ 112,544	\$ 112,544	\$ 765,781
66,400	113,456	-
-	(36,000)	(694,000)
13,529	158,798	-
<u>95,225</u>	<u>95,225</u>	<u>-</u>
<u>\$ 287,698</u>	<u>\$ 444,023</u>	<u>\$ 71,781</u>
\$ (678,558)	\$ (5,390,465)	\$ -
(204,162)	(2,602,894)	-
(24,304)	(1,151,817)	-
160,000	3,943,451	-
<u>-</u>	<u>378,011</u>	<u>-</u>
<u>\$ (747,024)</u>	<u>\$ (4,823,714)</u>	<u>\$ -</u>
\$ 620,000	\$ 6,620,000	\$2,250,000
(870,000)	(4,620,000)	(2,850,000)
29,618	64,236	26,794
<u>23,886</u>	<u>23,886</u>	<u>-</u>
<u>\$ (196,496)</u>	<u>\$ 2,088,122</u>	<u>\$ (573,206)</u>
\$ (143,897)	\$ 1,746,652	\$ (708,004)
<u>931,552</u>	<u>3,463,408</u>	<u>1,207,149</u>
<u>\$ 787,655</u>	<u>\$ 5,210,060</u>	<u>\$ 499,145</u>
<u>\$ -</u>	<u>\$ (171,821)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528</u>

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2010

	<u>Waterworks</u>	<u>Sewer Rental</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 330,509	\$1,397,131
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	1,334,420	890,838
Rental income	35,108	-
Miscellaneous income	1,931	-
Gain on sale of capital assets	-	(4,232)
Change in assets and liabilities:		
(Increase) decrease in receivables	(46,693)	(52,289)
(Increase) decrease in inventory	7,869	20,244
(Increase) decrease in due from other funds	(35,263)	(486,446)
(Increase) decrease in prepaid insurance	(8,468)	839
Increase (decrease) in accounts and contracts payable	(63,280)	69,475
Increase (decrease) in salaries payable	6,999	5,376
Increase (decrease) in accrued compensated absences	12,595	10,996
Increase (decrease) in due to other funds	(64,684)	137,124
Increase (decrease) in due to state government	(573)	-
Increase (decrease) in due to customers	10,232	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	(751)
Increase (decrease) in net OPEB obligation	10,749	6,540
	<u>10,749</u>	<u>6,540</u>
Net cash provided (used) by operating activities	<u>\$1,531,451</u>	<u>\$1,994,845</u>

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 24,738	\$1,752,378	\$ (220,787)
427,096	2,652,354	14,475
-	35,108	-
136,020	137,951	-
-	(4,232)	-
(31,909)	(130,891)	1,017
(93,708)	(65,595)	-
-	(521,709)	7,452
(386)	(8,015)	(40)
32,850	39,045	(4,258)
13,723	26,098	368
21,038	44,629	560
(32,685)	39,755	(5,961)
(59)	(632)	-
-	10,232	-
(1,087)	(1,087)	-
(150)	(901)	595
<u>16,444</u>	<u>33,733</u>	<u>-</u>
 <u>\$511,925</u>	 <u>\$4,038,221</u>	 <u>\$ (206,579)</u>

CITY OF MASON CITY, IOWA  
 FIDUCIARY FUNDS  
 STATEMENT OF NET ASSETS  
 AS OF JUNE 30, 2010

	<u>Firemen's Pension</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Cash	<u>\$11,490</u>	<u>\$400</u>
<b>LIABILITIES:</b>		
Accounts payable	\$ -	\$200
Due to purchase bonds	-	<u>200</u>
Total liabilities	<u>\$ -</u>	<u>\$400</u>
<b>NET ASSETS:</b>		
Held in trust for pension benefits	<u>\$11,490</u>	<u>\$ -</u>

*See Notes to Financial Statements.*

CITY OF MASON CITY, IOWA  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Firemen's Pension</u>
<b>ADDITIONS:</b>	
Use of money and property	\$ 76
<b>DEDUCTIONS:</b>	
Public safety:	
Benefits paid	<u>6,457</u>
Change in net assets	\$(6,381)
Net assets beginning of year	<u>17,871</u>
Net assets end of year	<u>\$11,490</u>

*See Notes to Financial Statements.*

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(2) Summary of Significant Accounting Policies - continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Although the agency fund is fiduciary, it is not involved in the measurement of results of operations; therefore, measurement focus is not applied to it.

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

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

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(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.

HMGP Voluntary Acquisition Fund

The HMGP Voluntary Acquisition Fund is used as part of the City's flood recovery efforts. The fund includes five voluntary acquisition and land clearance projects. Four of the five are funded through FEMA's Hazard Mitigation Grant Program. The fifth is funded through HUD's Community Development Block Grant program. Expenses charged against this fund include the cost to acquire land and structures, and in some circumstances the costs associated with demolishing structures and clearing the acquired lots. Land acquired through this fund will be dedicated as green space in perpetuity and will be permanently held by the City.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term and special debt principal, interest and related costs. Financing is through annual property tax levies. Tax levies in excess of actual requirements are legally restricted to service this debt.

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.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(2) Summary of Significant Accounting Policies - continued

Sanitary Sewer Fund

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

Additionally, the City reports the following fund types:

The City's Internal Service Funds account for costs in vehicle maintenance, electrical repairs and health insurance. The vehicle maintenance fund is used to account for maintenance and repair costs related to City vehicles and equipment. The electrical repair fund is used to account for costs for electrical for all City facilities and traffic maintenance. The health insurance fund is used to account for health insurance premiums and claims for all City employees.

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

The Capital Projects Funds account for financial resources to be used for the construction of the 19<sup>th</sup> Street SW Overpass and construction and acquisition of other general capital improvements. These projects are financed mainly through bond proceeds and Local Option Sales Tax.

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.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(2) Summary of Significant Accounting Policies - continued

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.

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. \$16,523 and \$40,003 of investment income for the years ended June 30, 2010 and 2009, respectively, were recorded in this manner.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(2) Summary of Significant Accounting Policies - continued

Receivables and Payables

Accounts receivable as of June 30, 2010, in proprietary and governmental funds is reported net of allowance for doubtful accounts in the amounts of \$797,676 and \$152,315, respectively.

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, 2010, were due by July 1, 2009, with the first half installment being delinquent after September 30, 2009, and the second half installment being delinquent after March 31, 2010. 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 2010 levy certified on March 15, 2010, based on 2009 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2011, 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.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(2) Summary of Significant Accounting Policies - continued

Restricted Assets

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

Capital Assets

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

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.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(2) Summary of Significant Accounting Policies - continued

Long-Term Obligations

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

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

Fund Equity

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

(D) Budgetary control, compliance and appropriation data

The City prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for all funds except Forest Park TIF, Westside TIF, City Administered Grants, 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.

CITY OF MASON CITY, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

(2) Summary of Significant Accounting Policies - continued

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

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

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

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2010 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 8,517,878	\$ 316,675	\$ 8,834,553	\$ 8,377,479
Public Works	2,952,378	1,225,950	4,178,328	3,398,998
Health and Social Services	802,126	237,665	1,039,791	765,063
Culture and Recreation	3,471,645	166,050	3,637,695	2,988,797
Community and Economic Development	11,005,225	552,150	11,557,375	7,278,193
General Government	5,230,188	57,100	5,287,288	2,469,483
Debt Service	3,804,861	6,600	3,811,461	3,082,653
Capital Projects	20,358,878	-	20,358,878	13,623,213
Business Type	21,031,471	842,000	21,873,471	12,231,948
Total	<u>\$77,174,650</u>	<u>\$3,404,190</u>	<u>\$80,578,840</u>	<u>\$54,215,827</u>

The fiscal year 2010 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, 2010 unbilled utility receivables for the Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds were included in accounts receivable and totaled approximately \$365,129, \$354,155, \$23,358 and \$90,594, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2010 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(3) Cash and Investments - continued

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

The City's investments are all insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments in the Iowa Public Agency Investment Trust are valued at an amortized cost of \$1,580,917 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

The carrying amount and fair value of the City's investments at June 30, 2010 are as follows:

	Fair Value
U.S. Government securities	\$ 6,512,087
Equity securities	240,978
	\$ 6,753,065
Deposits classified as investments:	
Iowa Public Agency Investment Trust	1,580,917
Nonnegotiable certificates of deposit	5,698,846
Total	\$14,032,828
Less: Restricted investments	1,196,429
Total unrestricted investments per balance sheet	\$12,836,399

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

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

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

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2010 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$1,576,443	\$ 90,799
HMGP voluntary acquisition	-	1,305,362
Debt service	140,000	113,419
Nonmajor funds	461,583	1,126,455
Internal Service funds	89,064	67,251
Total governmental	<u>\$2,267,090</u>	<u>\$2,703,286</u>
Business-Type:		
Waterworks	\$ 87,944	\$ 1,943
Sewer rental	486,446	141,241
Nonmajor funds	113,137	108,147
Total business-type	<u>\$ 687,527</u>	<u>\$ 251,331</u>
Total due to/from other funds	<u>\$2,954,617</u>	<u>\$2,954,617</u>

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of \$2,316,810. 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, 2010 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General	\$1,038,255	\$ 443,044
HMGP voluntary acquisition	-	-
Debt service	689,818	-
Nonmajor funds	927,673	1,522,451
Internal service funds	-	694,000
Total governmental	<u>\$2,655,746</u>	<u>\$2,659,495</u>
Business-Type:		
Waterworks	\$ -	\$ 18,000
Sewer rental	47,056	18,000
Nonmajor funds	66,400	73,707
Total business-type	<u>\$ 113,456</u>	<u>\$ 109,707</u>
Total transfers	<u>\$2,769,202</u>	<u>\$2,769,202</u>

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

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(6) Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,634,356	\$ -	\$ -	\$ 2,634,356
Construction in progress	<u>14,099,080</u>	<u>17,810,974</u>	<u>18,482,743</u>	<u>13,427,311</u>
Total capital assets, not being depreciated	<u>\$ 16,733,436</u>	<u>\$17,810,974</u>	<u>\$18,482,743</u>	<u>\$ 16,061,667</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 9,612,513	\$ 791,989	\$ 455,767	\$ 9,948,735
Improvements other than buildings	19,393,645	6,301,653	-	25,695,298
Machinery and equipment	5,594,036	420,986	168,645	5,846,377
Vehicles	7,263,923	511,406	292,667	7,482,662
Infrastructure	<u>60,142,091</u>	<u>11,447,693</u>	<u>-</u>	<u>71,589,784</u>
Total capital assets being depreciated	<u>\$102,006,208</u>	<u>\$19,473,727</u>	<u>\$ 917,079</u>	<u>\$120,562,856</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 5,711,680	\$ 244,609	\$ 94,519	\$ 5,861,770
Improvements other than buildings	5,452,318	1,021,709	-	6,474,027
Machinery and equipment	3,197,501	443,953	161,442	3,480,012
Vehicles	4,933,818	476,878	238,701	5,171,995
Infrastructure	<u>21,829,846</u>	<u>2,165,994</u>	<u>-</u>	<u>23,995,840</u>
Total accumulated depreciation	<u>\$ 41,125,163</u>	<u>\$ 4,353,143</u>	<u>\$ 494,662</u>	<u>\$ 44,983,644</u>
Total capital assets, being depreciated, net	<u>\$ 60,881,045</u>	<u>\$15,120,584</u>	<u>\$ 422,417</u>	<u>\$ 75,579,212</u>
Governmental activities capital assets, net	<u>\$ 77,614,481</u>	<u>\$32,931,558</u>	<u>\$18,905,160</u>	<u>\$ 91,640,879</u>

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

Governmental activities:	
Public safety	\$ 393,910
Public works	3,321,073
Health and social services	6,872
Culture and recreation	474,281
Community and economic development	91,724
General government	50,808
Internal service funds depreciation is charged to various functions based on their usage of assets	14,475
Total depreciation expense-governmental activities	<u>\$4,353,143</u>

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(6) Capital Assets - continued

Business-type Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,823,362	\$ -	\$ -	\$ 4,823,362
Construction in progress	<u>13,159,222</u>	<u>3,338,787</u>	<u>1,771,247</u>	<u>14,726,762</u>
Total capital assets, not being depreciated	<u>\$17,982,584</u>	<u>\$3,338,787</u>	<u>\$1,771,247</u>	<u>\$19,550,124</u>
Capital assets, being depreciated:				
Buildings and structures	\$16,302,722	\$ 11,645	\$ 122,428	\$16,191,939
Improvements other than buildings	3,037,257	24,720	-	3,061,977
Machinery and equipment	2,461,674	539,993	211,610	2,790,057
Vehicles	2,808,756	217,484	121,199	2,905,041
Collection and distribution systems	<u>62,579,574</u>	<u>1,969,476</u>	<u>633</u>	<u>64,548,417</u>
Total capital assets being depreciated	<u>\$87,189,983</u>	<u>\$2,763,318</u>	<u>\$ 455,870</u>	<u>\$89,497,431</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 2,894,333	\$ 367,125	\$ 29,936	\$ 3,231,522
Improvements other than buildings	2,821,969	25,530	-	2,847,499
Machinery and equipment	1,574,933	177,137	118,260	1,633,810
Vehicles	1,411,259	240,534	121,199	1,530,594
Collection and distribution systems	<u>25,269,516</u>	<u>1,830,026</u>	<u>633</u>	<u>27,098,909</u>
Total accumulated depreciation	<u>\$33,972,010</u>	<u>\$2,640,352</u>	<u>\$ 270,028</u>	<u>\$36,342,334</u>
Total capital assets, being depreciated, net	<u>\$53,217,973</u>	<u>\$ 122,966</u>	<u>\$ 185,842</u>	<u>\$53,155,097</u>
Business-type activities capital assets, net	<u>\$71,200,557</u>	<u>\$3,461,753</u>	<u>\$1,957,089</u>	<u>\$72,705,221</u>

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

Business-type activities:

Water works	\$1,322,799
Sewer rental	890,457
Other business-type funds	427,096
Total depreciation expense-business-type activities	<u>\$2,640,352</u>

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(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 4.30% of their annual salary and the City is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 was \$509,918, \$478,135, and \$436,724 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, 2010, members contributed 9.40% of regular earnable compensation and the City contributed 17.00% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2010, 2009 and 2008 was \$830,029, \$856,662, and \$1,139,797 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, 2010, there is one individual receiving benefits in the fire plan.

CITY OF MASON CITY, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

(7) Pension and Retirement Systems - continued

A summary of financial information relating to the plan as of June 30, 2010 is as follows:

	Fire
Cash and investments	\$11,490
Fund equity	11,490
Pensions paid	6,457

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

Basis of Accounting

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

Method Used to Value Investments

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

(C) Trend Information

Firemen Pension Plan

Fiscal Year	Revenues			Expenses
	Investment Income	Property Taxes	Totals	Benefits
2010	\$ 76	\$ -	\$ 76	\$ 6,457
2009	26	25,170	25,196	9,424
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

(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.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(9) Long-Term Debt

Long-term debt of the City is as follows:

	<u>Governmental</u>	<u>Business-Type</u>
3.25% to 4.05% Corporate Purpose bond payable, issued 10/01/02	\$ 2,010,000	\$ -
3.25% to 4.0% Essential Corporate Purpose bond payable, issued 10/1/03	535,000	-
3.30% to 3.6% Essential Corporate Purpose bond payable, issued 10/1/04	1,219,866	1,295,134
3.5% to 3.6% Essential Corporate Purpose bond payable, issued 11/1/05	505,000	1,335,000
3.70% to 3.90% Taxable General Obligation bond payable, issued 9/1/06	2,125,000	-
3.75% Taxable General Obligation bond payable, issued 9/4/07	1,125,000	2,385,000
3.25% to 4.1% General Obligation bond payable, issued 7/1/08	2,110,000	630,000
3.35% to 4.35% General Obligation bond payable, issued 7/1/08	2,845,000	295,000
2.50% to 4.375% Taxable General Obligation bond payable, issued 7/1/09	9,210,000	900,000
3.3% General Obligation Capital Loan note payable, issued 8/15/05	109,958	-
5.89% Taxable General Obligation Capital loan note issued 9/1/07	50,000	-
2.95% General Obligation Capital Loan note payable, issued 5/1/08	435,000	-
4.125% General Obligation Capital Loan note payable, issued 5/5/04	-	196,890
2.74% Taxable General Obligation Capital Loan note payable, issued 4/20/10	-	160,000
4.75% to 5.6% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 4/01/03	1,275,000	-
5.0% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 7/3/03	129,774	-
3.0% Water Revenue Capital Loan note payable, issued 2/26/03, callable 6/01/13 at par	-	10,933,905
4.0% Water Revenue bond payable, issued 9/1/06	-	1,360,000
4.10% to 4.35% Water Revenue bond payable, issued 9/1/07	-	1,115,000
3.0% Sewer Revenue bond payable, issued 12/2/92	-	325,000
3.9% Sewer Revenue bond payable, issued 9/1/06	-	1,325,000
3.0% Sewer Revenue bond payable, issued 8/15/08	-	12,087,373
Totals	<u>\$23,684,598</u>	<u>\$34,343,302</u>

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(9) Long-Term Debt - continued

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 \$29,476,848 of general obligation bonds outstanding as of June 30, 2010. Unmatured general obligation bonds to be paid by governmental funds totaled \$22,279,824. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$7,197,024

During the year ended June 30, 2010, the City issued \$10,270,000 of general obligation bonds. These bonds were used to finance the library renovation and construction, reconstruction and repair of various public works, parks and utility-related improvements.

*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 \$27,146,278 of revenue bonds outstanding as of June 30, 2010, payable through 2030. 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 \$2,179,525. The City has reserved \$2,853,334 as of June 30, 2010. The combined principal and interest paid for the current year and total customer net revenues were \$2,681,774 and \$4,243,742, respectively, amounting to approximately 63% of net revenues.

*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, 2010, there were \$1,404,774 of tax increment financing bonds outstanding.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(9) Long-Term Debt - continued

Long-term liability activity for the year ended June 30, 2010, was as follows:

	July 1, 2009	New Issues	Payments	June 30, 2010	Due Within One Year
General obligation:					
Governmental	\$15,023,090	\$ 9,210,000	\$1,953,266	\$22,279,824	\$2,430,502
Business-type activities:					
Water	2,430,354	900,000	334,817	2,995,537	419,143
Sewer	3,806,514	-	256,917	3,549,597	265,313
Ambulance	241,052	160,000	44,162	356,890	74,003
Storm sewer	455,000	-	160,000	295,000	95,000
Revenue:					
Governmental tax increment financing	1,569,339	-	164,565	1,404,774	171,374
Business-type:					
Water	14,337,285	11,620	940,000	13,408,905	970,000
Sewer	11,720,542	2,883,831	867,000	13,737,373	897,000
Total	<u>\$49,583,176</u>	<u>\$13,165,451</u>	<u>\$4,720,727</u>	<u>\$58,027,900</u>	<u>\$5,322,335</u>

At June 30, 2010, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation - real property	<u>\$1,601,372,084</u>
Debt limit - 5% of total valuation	\$80,068,604
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>30,524,732</u>
Legal debt margin	<u>\$49,543,872</u>

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

June 30,	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,430,502	\$ 855,941	\$ 853,459	\$ 242,468	\$3,283,961	\$1,098,409
2012	2,370,244	754,289	982,676	233,684	3,352,920	987,973
2013	2,437,520	674,070	1,009,397	200,391	3,446,917	874,461
2014	2,024,648	592,974	947,402	165,292	2,972,050	758,266
2015	1,961,910	521,107	934,090	132,315	2,896,000	653,422
2016-2020	6,695,000	1,618,217	1,810,000	331,286	8,505,000	1,949,503
2021-2025	2,205,000	739,619	660,000	55,218	2,865,000	794,837
2026-2030	2,155,000	237,499	-	-	2,155,000	237,499
	<u>\$22,279,824</u>	<u>\$5,993,716</u>	<u>\$7,197,024</u>	<u>\$1,360,654</u>	<u>\$29,476,848</u>	<u>\$7,354,370</u>

June 30,	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 171,374	\$ 73,401	\$ 1,867,000	\$ 868,025	\$ 2,038,374	\$ 941,426
2012	183,471	65,129	1,794,000	808,600	1,977,471	873,729
2013	189,929	55,932	1,862,000	749,420	2,051,929	805,352
2014	155,000	46,289	1,922,000	687,850	2,077,000	734,139
2015	165,000	38,383	1,992,000	624,220	2,157,000	662,603
2016-2020	540,000	60,900	8,419,000	2,236,145	8,959,000	2,297,045
2021-2025	-	-	6,508,000	1,002,000	6,508,000	1,002,000
2026-2030	-	-	3,304,000	251,760	3,304,000	251,760
	<u>\$1,404,774</u>	<u>\$340,034</u>	<u>\$27,668,000</u>	<u>\$7,228,020</u>	<u>\$29,072,774</u>	<u>\$7,568,054</u>

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(9) Long-Term Debt - continued

Industrial Revenue Bonds

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

As of June 30, 2010, 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, 2010, the City had not drawn \$5,000 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.

(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 \$2,601,802 for the year ended June 30, 2010 are covered by commercial insurance.

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

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(11) Risk Management - continued

The City has adopted Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Included in the claims liability at June 30, 2010 is \$493,000 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2010 is as follows:

	Beginning of fiscal year <u>liability</u>	Current year claims and changes <u>in estimates</u>	Claim <u>payments</u>	End of fiscal year <u>liability</u>
Current year	\$623,000	\$2,378,012	\$2,347,194	\$653,818
Prior year	661,207	2,320,196	2,358,403	623,000

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 exceeded commercial insurance coverage due to the flood of June, 2008. However, substantially all excess costs were reimbursed by disaster grants administered by the State of Iowa and FEMA.

(12) Deficit Fund Balances/Net Assets

The basic financial statements include individual fund deficits as follows:

Special Revenue Fund:	
Westside TIF	\$116,784
Housing	2,291
FMA Voluntary Acquisition	259,186
CEBA	355
Capital Projects Fund:	
19 <sup>th</sup> Street SW Overpass	374,907
Internal Service Fund:	
Central Services	2,928

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

The deficit balances in the FMA Voluntary Acquisition, CEBA and Housing funds will be eliminated by interfund transfers from the General Fund and grant proceeds.

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

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(13) Termination Benefits

As of June 30, 2010, the City had three 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) Other Postemployment Benefits

Plan Descriptions and Funding Policy

The City sponsors a single-employer health care plan that provides self-insured medical and prescription drug coverage to all active and retired employees and their eligible dependents. Employees must be a minimum of 55 years old and currently be enrolled in the sponsored health insurance plan at the time of retirement to participate. Benefits terminate upon attaining Medicare eligibility.

Eligible retirees receive health care coverage through the same plan that is available for active employees.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

Funding Policy

The City, with assistance from their third-party administrators, establishes and amends contribution requirements for both active and retiree members on an annual basis. The current funding policy is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting.

The required contribution is based on pay-as-you-go financing. For fiscal year 2010, the City contributed \$24,338 and retirees receiving benefits contributed \$177,317 through their required contributions.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. Fiscal year 2009 was the year of implementation for GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following schedule shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(14) Other Postemployment Benefits - continued

Annual required contribution	\$125,304
Interest on net OPEB obligation	4,547
Adjustment to annual required contribution	<u>5,120</u>
Annual OPEB cost/expense	\$124,731
Contributions and payments made	<u>24,338</u>
Increase in net OPEB obligation	\$100,393
Net OPEB obligation July 1, 2009	<u>181,881</u>
Net OPEB obligation June 30, 2010	<u>\$282,274</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$124,731	19.5%	\$282,274

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$988,388. The City's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plans are unfunded, the AAL and UAAL are equal. The covered payroll (fiscal year payroll of active employees covered by the plan) was \$13,410,686, and the ratio of the UAAL to the covered payroll was 7.37%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is required to be present as supplementary information following the notes to the financial statements.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, entry age normal actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate assuming funding on a pay as you go basis and an annual healthcare cost trend rate of 6%.

CITY OF MASON CITY, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

(14) Other Postemployment Benefits - continued

The amortization of the UAAL is being amortized as a level percentage of projected payrolls over a thirty-year time period.

(15) Commitments

At June 30, 2010, the following construction and purchase commitments had been made:

	<u>Total Contracts</u>	<u>Costs Incurred</u>
Library projects	\$ 7,812,549	\$ 6,430,715
Street projects	4,728,842	636,542
Sanitary sewer projects	2,457,030	2,505,102
Storm sewer projects	1,125,000	624,587
Flood buyout demolition projects	329,277	143,264
Water projects	159,870	84,574
Sanitation projects	134,920	64,600
Other	374,856	155,325
Total	<u>\$17,122,344</u>	<u>\$10,644,709</u>

(16) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$2,447,884 during the year ended June 30, 2010 of which \$1,790,608 was competitively bid.

(17) Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 29, 2010, the date the financial statements were issued.

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

Street projects	\$1,820,568
Sanitary sewer projects	591,196
Water projects	586,633
Fire projects	119,227
Other projects	146,785
	<u>\$3,264,409</u>

The City issued \$2,725,000 of general obligation bonds dated August 1, 2010 payable over a ten-year period at interest rates ranging from 1.50% to 2.90%.

The City issued \$4,505,000 of general obligation bonds dated October 1, 2010 payable over a ten-year period at interest rates ranging from 1.00% to 2.80%.

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

The City has implemented the following GASB standards during the fiscal year ended June 30, 2010:

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for intangible assets, including easements, water rights, timber rights, patents, trademarks and computer software. This statement is determined to have no effect on the current financial statements.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. This statement is determined to have no effect on the current financial statements.

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

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March, 2009, will be effective for the City for fiscal year ended June 30, 2011. This statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

CITY OF MASON CITY, IOWA  
OTHER POSTEMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
2010	7/1/2010	\$ -	\$988,388	\$988,388	0.00%	\$13,410,686	7.37%
2009	7/1/2009	-	937,435	937,435	0.00	13,144,648	7.41

Fiscal year 2009 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuations as of July 1, 2009.

The cost method used to determine the ARC is the frozen entry age actuarial cost method.

There are no plan assets.

Economic assumptions are as follows: health care cost trend rates of 6%; discount rate of 2.5%.

The amortization method is open period, level dollar.

**SUPPLEMENTARY  
INFORMATION**

*GOVERNMENTAL FUNDS*

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2010

	<u>ESGP</u>	<u>ADDI</u>	<u>Housing</u>
<b>ASSETS:</b>			
Cash	\$186	\$ -	\$ -
Investments	-	-	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	-	-
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Accounts receivable	-	-	-
Notes	-	-	-
Due from other funds	-	-	-
Due from state government	-	34,286	19,312
Prepaid insurance	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
<b>Total assets</b>	<b><u>\$186</u></b>	<b><u>\$34,286</u></b>	<b><u>\$19,312</u></b>
 <b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts payable	\$ -	\$ 451	\$ -
Salaries payable	-	293	470
Contracts payable	-	-	-
Accrued compensated absences	-	-	-
Due to other funds	-	30,017	21,133
Due to state government	-	-	-
Deferred revenue	-	-	-
<b>Total liabilities</b>	<b><u>\$ -</u></b>	<b><u>\$30,761</u></b>	<b><u>\$21,603</u></b>
 Fund balance:			
Reserved for:			
Prepaid insurance	\$ -	\$ -	\$ -
Museum funding	-	-	-
Perpetual care	-	-	-
Unreserved	186	3,525	(2,291)
<b>Total fund balance</b>	<b><u>\$186</u></b>	<b><u>\$ 3,525</u></b>	<b><u>\$ (2,291)</u></b>
 <b>Total liabilities and fund balance</b>	<b><u>\$186</u></b>	<b><u>\$34,286</u></b>	<b><u>\$19,312</u></b>

(continued)

<u>City Administered Grants</u>	<u>Community Growth TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Gateway TIF</u>
\$ -	\$453,387	\$ -	\$8,264	\$ 9,566
-	-	-	-	-
-	7,670	19	-	12,274
-	-	-	-	-
-	-	-	-	-
-	-	12,033	-	-
-	10,000	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$471,057</u>	<u>\$ 12,052</u>	<u>\$8,264</u>	<u>\$21,840</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	6	-	-	-
-	-	-	-	-
-	-	128,836	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 128,836</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	471,051	(116,784)	8,264	21,840
<u>\$ -</u>	<u>\$471,051</u>	<u>\$ (116,784)</u>	<u>\$8,264</u>	<u>\$21,840</u>
<u>\$ -</u>	<u>\$471,057</u>	<u>\$ 12,052</u>	<u>\$8,264</u>	<u>\$21,840</u>

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2010

	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>
<b>ASSETS:</b>			
Cash	\$ 113,360	\$ 38,784	\$ 48,186
Investments	3,206,606	2,511,246	-
Receivables:			
Property taxes	334,916	291,669	475,500
Accrued interest	3,683	3,032	-
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Accounts receivable	-	-	-
Notes	-	-	-
Due from other funds	-	-	357,939
Due from state government	-	-	-
Prepaid insurance	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
<b>Total assets</b>	<b><u>\$3,658,565</u></b>	<b><u>\$2,844,731</u></b>	<b><u>\$881,625</u></b>
 <b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Salaries payable	-	-	-
Contracts payable	-	-	-
Accrued compensated absences	-	-	-
Due to other funds	-	-	-
Due to state government	-	-	-
Deferred revenue	330,000	288,000	465,484
<b>Total liabilities</b>	<b><u>\$ 330,000</u></b>	<b><u>\$ 288,000</u></b>	<b><u>\$465,484</u></b>
 Fund balance:			
Reserved for:			
Prepaid insurance	\$ -	\$ -	\$ -
Museum funding	-	-	-
Perpetual care	-	-	-
Unreserved	3,328,565	2,556,731	416,141
<b>Total fund balance</b>	<b><u>\$3,328,565</u></b>	<b><u>\$2,556,731</u></b>	<b><u>\$416,141</u></b>
 <b>Total liabilities and fund     balance</b>	<b><u>\$3,658,565</u></b>	<b><u>\$2,844,731</u></b>	<b><u>\$881,625</u></b>

(continued)

<u>Road Use Tax</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>
\$1,475,679	\$141,144	\$274,588	\$ 69,518	\$ 2,632,662
500,000	390,374	468,729	-	7,076,955
462	-	-	-	1,122,510
-	374	-	-	7,089
76,433	-	-	-	76,433
3,941	-	-	-	3,941
4,244	-	-	-	16,277
-	-	-	-	10,000
-	-	-	-	357,939
182,403	-	-	-	236,001
10,621	-	-	-	10,621
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$2,253,783</u>	<u>\$531,892</u>	<u>\$743,317</u>	<u>\$ 69,518</u>	<u>\$11,550,428</u>
\$ 157,823	\$ 1,950	\$ -	\$ 15,085	\$ 175,309
47,804	-	-	-	48,573
30,463	-	-	75,619	106,082
66,603	-	-	-	66,603
183,556	-	-	178,330	541,872
-	-	-	472	472
3,941	-	-	-	1,087,425
<u>\$ 490,190</u>	<u>\$ 1,950</u>	<u>\$ -</u>	<u>\$ 269,506</u>	<u>\$ 2,026,336</u>
\$ 10,621	\$ -	\$ -	\$ -	\$ 10,621
-	-	-	-	-
-	-	-	-	-
1,752,972	529,942	743,317	(199,988)	9,513,471
<u>\$1,763,593</u>	<u>\$529,942</u>	<u>\$743,317</u>	<u>\$ (199,988)</u>	<u>\$ 9,524,092</u>
<u>\$2,253,783</u>	<u>\$531,892</u>	<u>\$743,317</u>	<u>\$ 69,518</u>	<u>\$11,550,428</u>

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2010

	<u>19<sup>th</sup> Street SW Overpass</u>	<u>Local Option Capital Improvement</u>	<u>Total Capital Project</u>
<b>ASSETS:</b>			
Cash	\$ -	\$ 891,295	\$ 891,295
Investments	-	25,000	25,000
Receivables:			
Property taxes	-	-	-
Accrued interest	-	202	202
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Accounts receivable	324,000	-	324,000
Notes	-	-	-
Due from other funds	-	-	-
Due from state government	195,518	112,774	308,292
Prepaid insurance	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
<b>Total assets</b>	<b><u>\$ 519,518</u></b>	<b><u>\$1,029,271</u></b>	<b><u>\$1,548,789</u></b>
<b>LIABILITIES AND FUND BALANCE:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 16,492	\$ -	\$ 16,492
Salaries payable	-	-	-
Contracts payable	385,218	-	385,218
Accrued compensated absences	6,269	-	6,269
Due to other funds	486,446	-	486,446
Due to state government	-	-	-
Deferred revenue	-	-	-
<b>Total liabilities</b>	<b><u>\$ 894,425</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 894,425</u></b>
<b>Fund balance:</b>			
<b>Reserved for:</b>			
Prepaid insurance	\$ -	\$ -	\$ -
Museum funding	-	-	-
Perpetual care	-	-	-
Unreserved	(374,907)	1,029,271	654,364
<b>Total fund balance</b>	<b><u>\$(374,907)</u></b>	<b><u>\$1,029,271</u></b>	<b><u>\$ 654,364</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 519,518</u></b>	<b><u>\$1,029,271</u></b>	<b><u>\$1,548,789</u></b>

*See Accompanying Independent Auditor's Report.*

<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$164,434	\$ 164,434	\$ 3,688,391
-	633,638	633,638	7,735,593
-	-	-	1,122,510
-	5,649	5,649	12,940
-	-	-	76,433
-	-	-	3,941
-	-	-	340,277
-	-	-	10,000
103,645	-	103,645	461,584
-	-	-	544,293
-	-	-	10,621
7,995	-	7,995	7,995
496,429	-	496,429	496,429
845	-	845	845
<u>\$608,914</u>	<u>\$803,721</u>	<u>\$1,412,635</u>	<u>\$14,511,852</u>
\$ -	\$ -	\$ -	\$ 191,801
-	-	-	48,573
-	-	-	491,300
-	-	-	72,872
98,137	-	98,137	1,126,455
-	-	-	472
-	-	-	1,087,425
<u>\$ 98,137</u>	<u>\$ -</u>	<u>\$ 98,137</u>	<u>\$ 3,018,898</u>
\$ -	\$ -	\$ -	\$ 10,621
-	633,638	633,638	633,638
505,269	-	505,269	505,269
5,508	170,083	175,591	10,343,426
<u>\$510,777</u>	<u>\$803,721</u>	<u>\$1,314,498</u>	<u>\$11,492,954</u>
<u>\$608,914</u>	<u>\$803,721</u>	<u>\$1,412,635</u>	<u>\$14,511,852</u>

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>ESGP</u>	<u>ADDI</u>	<u>Housing</u>
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	64,510	122,833
Charges for service	-	-	-
Use of money and property	-	-	-
Special assessments	-	-	-
Miscellaneous	808	15,745	5,860
Total revenues	<u>\$808</u>	<u>\$ 80,255</u>	<u>\$128,693</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	817	102,497	130,687
General government	-	-	-
Capital projects	-	-	-
Total expenditures	<u>\$817</u>	<u>\$102,497</u>	<u>\$130,687</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9)</u>	<u>\$ (22,242)</u>	<u>\$ (1,994)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ -
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (9)	\$ (22,242)	\$ (1,994)
Fund balance beginning of year	<u>195</u>	<u>25,767</u>	<u>(297)</u>
Fund balance end of year	<u>\$186</u>	<u>\$ 3,525</u>	<u>\$ (2,291)</u>

(continued)

<u>City Administered Grants</u>	<u>Community Growth TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Gateway TIF</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	640,381	523	-	472,387
-	-	-	-	-
174,801	-	-	-	-
-	-	72,792	-	-
-	6,654	61	-	-
-	-	-	-	-
-	20,000	-	-	-
<u>\$174,801</u>	<u>\$ 667,035</u>	<u>\$ 73,376</u>	<u>\$ -</u>	<u>\$472,387</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
109,791	-	-	975	-
-	-	-	-	-
-	458,463	-	-	452,904
<u>\$109,791</u>	<u>\$ 458,463</u>	<u>\$ -</u>	<u>\$ 975</u>	<u>\$452,904</u>
<u>\$ 65,010</u>	<u>\$ 208,572</u>	<u>\$ 73,376</u>	<u>\$ (975)</u>	<u>\$ 19,483</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>(65,010)</u>	<u>(266,274)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (65,010)</u>	<u>\$ (266,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (57,702)	\$ 73,376	\$ (975)	\$ 19,483
-	528,753	(190,160)	9,239	2,357
<u>\$ -</u>	<u>\$ 471,051</u>	<u>\$ (116,784)</u>	<u>\$8,264</u>	<u>\$ 21,840</u>

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>
<b>REVENUES:</b>			
Property taxes	\$ 334,896	\$ 249,923	\$482,042
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Use of money and property	241,525	200,949	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>\$ 576,421</u>	<u>\$ 450,872</u>	<u>\$482,042</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	\$ 432,219	\$ 306,466	\$142,033
Public works	-	-	38,794
Health and social services	-	-	27,797
Culture and recreation	-	-	89,558
Community & economic development	-	-	25,629
General government	-	-	113,494
Capital projects	-	-	-
Total expenditures	<u>\$ 432,219</u>	<u>\$ 306,466</u>	<u>\$437,305</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 144,202</u>	<u>\$ 144,406</u>	<u>\$ 44,737</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ -
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 144,202	\$ 144,406	\$ 44,737
Fund balance beginning of year	<u>3,184,363</u>	<u>2,412,325</u>	<u>371,404</u>
Fund balance end of year	<u>\$3,328,565</u>	<u>\$2,556,731</u>	<u>\$416,141</u>

(continued)

<u>Road Use Tax</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,066,861
-	-	-	-	1,113,291
-	-	-	-	-
2,734,610	-	-	-	3,096,754
1,507	160	-	23,487	97,946
882	31,163	72,245	33,609	587,088
2,155	-	-	-	2,155
-	31,194	15,933	1,782	91,322
<u>\$ 2,739,154</u>	<u>\$ 62,517</u>	<u>\$ 88,178</u>	<u>\$ 58,878</u>	<u>\$ 6,055,417</u>
\$ -	\$ -	\$ -	\$ -	\$ 880,718
2,287,146	-	-	-	2,325,940
-	-	-	-	27,797
-	37,501	48,939	40,473	216,471
119,462	-	-	262,704	752,562
-	-	-	-	113,494
2,016,031	748	-	19,266	2,947,412
<u>\$ 4,422,639</u>	<u>\$ 38,249</u>	<u>\$ 48,939</u>	<u>\$ 322,443</u>	<u>\$ 7,264,394</u>
<u>\$ (1,683,485)</u>	<u>\$ 24,268</u>	<u>\$ 39,239</u>	<u>\$ (263,565)</u>	<u>\$ (1,208,977)</u>
\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
900,000	-	-	9,719	909,719
(18,000)	-	-	-	(349,284)
<u>\$ 2,382,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,719</u>	<u>\$ 2,060,435</u>
\$ 698,515	\$ 24,268	\$ 39,239	\$ (253,846)	\$ 851,458
1,065,078	505,674	704,078	53,858	8,672,634
<u>\$ 1,763,593</u>	<u>\$529,942</u>	<u>\$743,317</u>	<u>\$ (199,988)</u>	<u>\$ 9,524,092</u>

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>19<sup>th</sup> Street SW Overpass</u>	<u>Local Option Capital Improvement</u>	<u>Total Capital Project</u>
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	1,579,915	1,579,915
Intergovernmental	1,214,138	207,933	1,422,071
Charges for services	324,000	-	324,000
Use of money and property	2,853	3,096	5,949
Special assessments	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>\$ 1,540,991</u>	<u>\$ 1,790,944</u>	<u>\$ 3,331,935</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	160,825	-	160,825
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	-	-	-
General government	-	-	-
Capital projects	2,605,405	1,139,474	3,744,879
Total expenditures	<u>\$ 2,766,230</u>	<u>\$ 1,139,474</u>	<u>\$ 3,905,704</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,225,239)</u>	<u>\$ 651,470</u>	<u>\$ (573,769)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ -
Transfers in	-	17,954	17,954
Transfers out	-	(1,161,767)	(1,161,767)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (1,143,813)</u>	<u>\$ (1,143,813)</u>
Net change in fund balances	\$ (1,225,239)	\$ (492,343)	\$ (1,717,582)
Fund balance beginning of year	<u>850,332</u>	<u>1,521,614</u>	<u>2,371,946</u>
Fund balance end of year	<u>\$ (374,907)</u>	<u>\$ 1,029,271</u>	<u>\$ 654,364</u>

*See Accompanying Independent Auditor's Report.*

<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$ 1,066,861
-	-	-	1,113,291
-	-	-	1,579,915
-	-	-	4,518,825
8,835	-	8,835	430,781
-	19,721	19,721	612,758
-	-	-	2,155
-	16,227	16,227	107,549
<u>\$ 8,835</u>	<u>\$ 35,948</u>	<u>\$ 44,783</u>	<u>\$ 9,432,135</u>
\$ -	\$ -	\$ -	\$ 880,718
-	-	-	2,486,765
-	-	-	27,797
-	107,560	107,560	324,031
-	-	-	752,562
-	-	-	113,494
-	-	-	6,692,291
<u>\$ -</u>	<u>\$107,560</u>	<u>\$ 107,560</u>	<u>\$11,277,658</u>
<u>\$ 8,835</u>	<u>\$ (71,612)</u>	<u>\$ (62,777)</u>	<u>\$ (1,845,523)</u>
\$ -	\$ -	\$ -	\$ 1,500,000
-	-	-	927,673
-	(11,400)	(11,400)	(1,522,451)
<u>\$ -</u>	<u>\$ (11,400)</u>	<u>\$ (11,400)</u>	<u>\$ 905,222</u>
\$ 8,835	\$ (83,012)	\$ (74,177)	\$ (940,301)
<u>501,942</u>	<u>886,733</u>	<u>1,388,675</u>	<u>12,433,255</u>
<u>\$510,777</u>	<u>\$803,721</u>	<u>\$1,314,498</u>	<u>\$11,492,954</u>

CITY OF MASON CITY, IOWA  
 ESGP SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental:			
Federal assistance	\$ 50,000	\$ -	\$(50,000)
Miscellaneous	-	808	808
Total revenues	<u>\$ 50,000</u>	<u>\$ 808</u>	<u>\$(49,192)</u>
<b>EXPENDITURES:</b>			
Current:			
Community & economic development:			
Contractual	\$ -	\$ 817	\$ (817)
Net change in fund balance	\$(50,000)	\$ (9)	\$ 50,009
Fund balance beginning of year	-	195	195
Fund balance end of year	<u>\$ 50,000</u>	<u>\$ 186</u>	<u>\$(49,814)</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 ADDI SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Federal assistance	\$176,665	\$ 64,510	\$ (112,155)
Miscellaneous	-	15,745	15,745
Total revenues	<u>\$176,665</u>	<u>\$ 80,255</u>	<u>\$ (96,410)</u>
<b>EXPENDITURES:</b>			
Current:			
Community and economic development:			
Personal service	\$ 8,530	\$ 2,201	\$ 6,329
Contractual	165,135	84,922	80,213
Commodities	3,000	15,374	(12,374)
Total expenditures	<u>\$176,665</u>	<u>\$102,497</u>	<u>\$ 74,168</u>
Net change in fund balance	\$ -	\$ (22,242)	\$ (22,242)
Fund balance beginning of year	-	<u>25,767</u>	<u>25,767</u>
Fund balance end of year	<u>\$ -</u>	<u>\$ 3,525</u>	<u>\$ 3,525</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
HOUSING SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Entitlement funds	\$185,000	\$122,833	\$(62,167)
Miscellaneous	-	5,860	5,860
Total revenues	<u>\$185,000</u>	<u>\$128,693</u>	<u>\$(56,307)</u>
<b>EXPENDITURES:</b>			
Current:			
Community & economic development:			
Personal services	\$ 11,370	\$ 3,419	\$ 7,951
Commodities	-	9,714	(9,714)
Contractual	173,630	117,554	56,076
Total expenditures	<u>\$185,000</u>	<u>\$130,687</u>	<u>\$ 54,313</u>
Net change in fund balance	\$ -	\$ (1,994)	\$ (1,994)
Fund balance beginning of year	-	(297)	(297)
Fund balance end of year	<u>\$ -</u>	<u>\$ (2,291)</u>	<u>\$ (2,291)</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
COMMUNITY GROWTH TIF SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
TIF revenues	\$ 657,016	\$ 640,381	\$ (16,635)
Use of money and property	-	6,654	6,654
Miscellaneous	-	20,000	20,000
Total revenues	<u>\$ 657,016</u>	<u>\$ 667,035</u>	<u>\$ 10,019</u>
<b>EXPENDITURES:</b>			
Current:			
Community & economic development:			
Contractual	\$ 2,395,105	\$ -	\$ 2,395,105
Commodities	<u>442,000</u>	<u>-</u>	<u>442,000</u>
Total community & economic development	\$ 2,837,105	\$ -	\$ 2,837,105
Capital projects	-	458,463	(458,463)
Total expenditures	<u>\$ 2,837,105</u>	<u>\$ 458,463</u>	<u>\$ 2,378,642</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,180,089)</u>	<u>\$ 208,572</u>	<u>\$ 2,388,661</u>
Other financing sources (uses):			
Issuance of bonds	\$ 2,100,000	\$ -	\$ (2,100,000)
Transfers out	<u>(341,483)</u>	<u>(266,274)</u>	<u>75,209</u>
Total other financing sources (uses)	<u>\$ 1,758,517</u>	<u>\$ (266,274)</u>	<u>\$ (2,024,791)</u>
Net change in fund balance	\$ (421,572)	\$ (57,702)	\$ 363,870
Fund balance beginning of year	<u>-</u>	<u>528,753</u>	<u>528,753</u>
Fund balance end of year	<u>\$ (421,572)</u>	<u>\$ 471,051</u>	<u>\$ 892,623</u>

*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, 2010

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	\$480,590	\$472,387	\$(8,203)
EXPENDITURES:			
Capital projects	<u>480,590</u>	<u>452,904</u>	<u>27,686</u>
Net change in fund balance	\$ -	\$ 19,483	\$19,483
Fund balance beginning of year	<u>-</u>	<u>2,357</u>	<u>2,357</u>
Fund balance end of year	<u>\$ -</u>	<u>\$ 21,840</u>	<u>\$21,840</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
POLICE RETIREMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
<b>REVENUES:</b>			
Property taxes	\$327,334	\$ 334,896	\$ 7,562
Other taxes	7,666	-	(7,666)
Use of money and property:			
Interest on investments	145,000	241,525	96,525
Total revenues	<u>\$480,000</u>	<u>\$ 576,421</u>	<u>\$ 96,421</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety:			
Pension contributions	\$530,000	\$ 432,219	\$ 97,781
Net change in fund balance	\$(50,000)	\$ 144,202	\$ 194,202
Fund balance beginning of year	-	3,184,363	3,184,363
Fund balance end of year	<u>\$(50,000)</u>	<u>\$3,328,565</u>	<u>\$3,378,565</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 FIRE RETIREMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
<b>REVENUES:</b>			
Property taxes	\$244,279	\$ 249,923	\$ 5,644
Other taxes	5,721	-	(5,721)
Use of money and property:			
Interest on investments	<u>105,000</u>	<u>200,949</u>	<u>95,949</u>
Total revenues	<u>\$355,000</u>	<u>\$ 450,872</u>	<u>\$ 95,872</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety:			
Pension contributions	<u>\$405,000</u>	<u>\$ 306,466</u>	<u>\$ 98,534</u>
Net change in fund balance	\$(50,000)	\$ 144,406	\$ 194,406
Fund balance beginning of year	<u>-</u>	<u>2,412,325</u>	<u>2,412,325</u>
Fund balance end of year	<u>\$(50,000)</u>	<u>\$2,556,731</u>	<u>\$2,606,731</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 EMPLOYEE RETIREMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
<b>REVENUES:</b>			
Property taxes	<u>\$470,957</u>	<u>\$482,042</u>	<u>\$ 11,085</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	\$145,082	\$142,033	\$ 3,049
Public works	41,778	38,794	2,984
Health & social services	29,077	27,797	1,280
Culture & recreation	116,888	89,558	27,330
Community & economic development	25,972	25,629	343
General government	<u>123,190</u>	<u>113,494</u>	<u>9,696</u>
Total expenditures	<u>\$481,987</u>	<u>\$437,305</u>	<u>\$ 44,682</u>
Net change in fund balance	\$(11,030)	\$ 44,737	\$ 55,767
Fund balance beginning of year	<u>-</u>	<u>371,404</u>	<u>371,404</u>
Fund balance end of year	<u>\$(11,030)</u>	<u>\$416,141</u>	<u>\$427,171</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
ROAD USE TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Road use tax allocation	\$ 2,850,000	\$ 2,734,610	\$ (115,390)
Charges for service	-	1,507	1,507
Use of money and property	-	882	882
Special assessments	-	2,155	2,155
Miscellaneous	45,000	-	(45,000)
Total revenues	<u>\$ 2,895,000</u>	<u>\$ 2,739,154</u>	<u>\$ (155,846)</u>
<b>EXPENDITURES:</b>			
Current:			
Public works:			
Personal services	\$ 1,138,232	\$ 1,184,289	\$ 46,057
Contractual	592,958	595,921	2,963
Commodities	363,205	506,936	143,731
Total public works	<u>\$ 2,094,395</u>	<u>\$ 2,287,146</u>	<u>\$ 192,751</u>
Community and economic development:			
Personal services	\$ -	\$ 2,413	\$ 2,413
Contractual	-	117,049	117,049
Total community and economic development	\$ -	\$ 119,462	\$ 119,462
Capital projects	4,299,267	2,016,031	(2,283,236)
Total expenditures	<u>\$ 6,393,662</u>	<u>\$ 4,422,639</u>	<u>\$ (1,971,023)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,498,662)</u>	<u>\$ (1,683,485)</u>	<u>\$ 1,815,177</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 2,600,000	\$ 1,500,000	\$ (1,100,000)
Transfers in	900,000	900,000	-
Transfers out	(18,000)	(18,000)	-
Total other financing sources (uses)	<u>\$ 3,482,000</u>	<u>\$ 2,382,000</u>	<u>\$ (1,100,000)</u>
Net change in fund balance	\$ (16,662)	\$ 698,515	\$ 715,177
Fund balance beginning of year	-	1,065,078	1,065,078
Fund balance end of year	<u>\$ (16,662)</u>	<u>\$ 1,763,593</u>	<u>\$ 1,780,255</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 CEBA SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental:			
Entitlement funds	\$690,000	\$ -	\$(690,000)
<b>EXPENDITURES:</b>			
None	-	-	-
Net change in fund balance	\$690,000	\$ -	\$(690,000)
Fund balance beginning of year	-	(355)	(355)
Fund balance end of year	<u>\$690,000</u>	<u>\$(355)</u>	<u>\$(690,355)</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
LIBRARY TRUST SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Charges for service	\$ 3,000	\$ 160	\$ (2,840)
Use of money and property	10,000	31,163	21,163
Contributions	-	28,464	28,464
Miscellaneous	21,000	2,730	(18,270)
Total revenues	<u>\$34,000</u>	<u>\$ 62,517</u>	<u>\$ 28,517</u>
<b>EXPENDITURES:</b>			
Current:			
Culture & recreation:			
Personal service	\$11,000	\$ -	\$ 11,000
Contractual	7,000	6,753	247
Commodities	16,000	29,807	(13,807)
Other	-	941	(941)
Total culture & recreation	<u>\$34,000</u>	<u>\$ 37,501</u>	<u>\$ (3,501)</u>
Capital projects	-	748	(748)
Total expenditures	<u>\$34,000</u>	<u>\$ 38,249</u>	<u>\$ (4,249)</u>
Net change in fund balance	\$ -	\$ 24,268	\$ 24,268
Fund balance beginning of year	-	505,674	505,674
Fund balance end of year	<u>\$ -</u>	<u>\$529,942</u>	<u>\$529,942</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 SOFTBALL IMPROVEMENT TRUST SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Charges for service	\$30,137	\$ 8,165	\$(21,972)
Use of money and property	-	12,921	12,921
Miscellaneous	-	1,200	1,200
Total revenues	<u>\$30,137</u>	<u>\$ 22,286</u>	<u>\$ (7,851)</u>
<b>EXPENDITURES:</b>			
Current:			
Culture & recreation:			
Contractual	\$ 2,630	\$ -	\$ 2,630
Commodities	2,800	17,153	(14,353)
Other	6,500	-	6,500
Total culture & recreation	<u>\$11,930</u>	<u>\$ 17,153</u>	<u>\$ (5,223)</u>
Capital projects	18,207	15,187	3,020
Total expenditures	<u>\$30,137</u>	<u>\$ 32,340</u>	<u>\$ (2,203)</u>
Net change in fund balance	\$ -	\$(10,054)	\$(10,054)
Fund balance beginning of year	-	16,336	16,336
Fund balance end of year	<u>\$ -</u>	<u>\$ 6,282</u>	<u>\$ 6,282</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 YOUTH SOFTBALL COMPLEX TRUST SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Charges for service	\$42,100	\$15,322	\$ (26,778)
Use of money and property	-	20,688	20,688
Miscellaneous	-	582	582
Total revenues	<u>\$42,100</u>	<u>\$36,592</u>	<u>\$ (5,508)</u>
<b>EXPENDITURES:</b>			
Current:			
Culture & recreation:			
Contractual	\$ 2,100	\$ 306	\$ 1,794
Commodities	<u>19,000</u>	<u>23,014</u>	<u>(4,014)</u>
Total culture & recreation	\$21,100	\$23,320	\$ (2,220)
Capital projects	<u>14,200</u>	<u>4,079</u>	<u>10,121</u>
Total expenditures	<u>\$35,300</u>	<u>\$27,399</u>	<u>\$ 7,901</u>
Net change in fund balance	\$ 6,800	\$ 9,193	\$ 2,393
Fund balance beginning of year	<u>-</u>	<u>35,827</u>	<u>35,827</u>
Fund balance end of year	<u>\$ 6,800</u>	<u>\$45,020</u>	<u>\$ 38,220</u>

*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, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Entitlement funds	\$6,000	\$ -	\$(6,000)
<b>EXPENDITURES:</b>			
Current:			
Community & economic development:			
Contractual	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balance	\$ -	\$ -	-
Fund balance beginning of year	<u>-</u>	<u>8,250</u>	<u>8,250</u>
Fund balance end of year	<u>\$ -</u>	<u>\$8,250</u>	<u>\$ 8,250</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Property tax	\$ 2,044,978	\$2,093,512	\$ 48,534
Other taxes	46,152	-	(46,152)
Use of money and property	60,000	7,821	(52,179)
Total revenues	<u>\$ 2,151,130</u>	<u>\$2,101,333</u>	<u>\$ (49,797)</u>
<b>EXPENDITURES:</b>			
Debt service:			
Principal redemption	\$ 2,913,541	\$2,117,833	\$ 795,708
Interest payments	887,320	955,151	(67,831)
Contractual	10,600	9,669	931
Total debt service	<u>\$ 3,811,461</u>	<u>\$3,082,653</u>	<u>\$ 728,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,660,331)</u>	<u>\$ (981,320)</u>	<u>\$ 679,011</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ 60,000	\$ 60,000
Premium on bonds issuance	-	25,275	25,275
Transfers in	1,653,731	689,818	(963,913)
Total other financing sources (uses)	<u>\$ 1,653,731</u>	<u>\$ 775,093</u>	<u>\$ (878,638)</u>
Net change in fund balance	\$ (6,600)	\$ (206,227)	\$ (199,627)
Fund balance beginning of year	<u>-</u>	<u>267,858</u>	<u>267,858</u>
Fund balance end of year	<u>\$ (6,600)</u>	<u>\$ 61,631</u>	<u>\$ 68,231</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 LOCAL OPTION CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Other tax	\$ 1,400,000	\$ 1,579,915	\$ 179,915
Intergovernmental	-	207,933	207,933
Use of money and property	10,000	3,096	(6,904)
Miscellaneous	11,000	-	(11,000)
Total revenues	<u>\$ 1,421,000</u>	<u>\$ 1,790,944</u>	<u>\$ 369,944</u>
<b>EXPENDITURES:</b>			
Capital projects	<u>\$ 1,218,800</u>	<u>\$ 1,139,474</u>	<u>\$ 79,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 202,200</u>	<u>\$ 651,470</u>	<u>\$ 449,270</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ 17,954	\$ 17,954
Transfers out	<u>(1,283,724)</u>	<u>(1,161,767)</u>	<u>121,957</u>
Total other financing sources (uses):	<u>\$ (1,283,724)</u>	<u>\$ (1,143,813)</u>	<u>\$ 139,911</u>
Net change in fund balance	\$ (1,081,524)	\$ (492,343)	\$ 589,181
Fund balance beginning of year	<u>-</u>	<u>1,521,614</u>	<u>1,521,614</u>
Fund balance end of year	<u>\$ (1,081,524)</u>	<u>\$ 1,029,271</u>	<u>\$ 2,110,795</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 19<sup>TH</sup> STREET SW OVERPASS CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental	\$5,400,000	\$ 1,214,138	\$ (4,185,862)
Charges for services	-	324,000	324,000
Use of money and property	-	2,853	2,853
Total revenues	<u>\$5,400,000</u>	<u>\$ 1,540,991</u>	<u>\$ (3,859,009)</u>
<b>EXPENDITURES:</b>			
Current:			
Public works:			
Personal services	\$ -	\$ 1,420	\$ (1,420)
Contractual	-	158,122	(158,122)
Commodities	-	1,283	(1,283)
Total public works	<u>\$ -</u>	<u>\$ 160,825</u>	<u>\$ (160,825)</u>
Capital projects	5,400,000	2,605,405	2,794,595
Total expenditures	<u>\$5,400,000</u>	<u>\$ 2,766,230</u>	<u>\$ 2,633,770</u>
Excess (deficit) of revenues over (under) expenditures	\$ -	\$ (1,225,239)	\$ (1,225,239)
Other financing sources (uses):			
Issuance of general obligation bonds	-	-	-
Net change in fund balance	\$ -	\$ (1,225,239)	\$ (1,225,239)
Fund balance beginning of year	-	850,332	850,332
Fund balance end of year	<u>\$ -</u>	<u>\$ (374,907)</u>	<u>\$ (374,907)</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 MACNIDER MUSUEM TRUST PERMANENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Use of money and property	\$ 20,000	\$ 19,721	\$ 279
Contributions	-	15,735	15,735
Miscellaneous	30,000	492	(29,508)
Total revenues	<u>\$ 50,000</u>	<u>\$ 35,948</u>	<u>\$ (14,052)</u>
<b>EXPENDITURES:</b>			
Current:			
Culture & recreation:			
Commodities	<u>\$138,000</u>	<u>\$107,560</u>	<u>\$ 30,440</u>
Excess (deficiency) of revenues over (under) expenditures	\$(88,000)	\$(71,612)	\$ 16,388
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(11,400)</u>	<u>(11,400)</u>
Net change in fund balance	\$(88,000)	\$(83,012)	\$ 4,988
Fund balance beginning of year	<u>-</u>	<u>886,733</u>	<u>886,733</u>
Fund balance end of year	<u>\$(88,000)</u>	<u>\$803,721</u>	<u>\$891,721</u>

*See Accompanying Independent Auditor's Report.*

*PROPRIETARY FUNDS*

CITY OF MASON CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010

	<u>Cemetery</u>	<u>Storm Sewer</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 90,915	\$ 328,007
Investments	50	100,000
Receivables:		
Property taxes	115,648	-
Accounts (net)	25,468	39,150
Accrued interest	23	163
Inventory	550	-
Due from other funds	98,137	15,000
Due from state government	-	-
Prepaid insurance	783	-
Total current assets	<u>\$331,574</u>	<u>\$ 482,320</u>
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	172,231	24,728
Improvements	412,920	-
Vehicles	43,227	-
Storm sewer lines	-	3,951,280
Construction in progress	5,516	-
Less accumulated depreciation	<u>(454,670)</u>	<u>(1,579,696)</u>
Total property, plant and equipment	<u>\$226,923</u>	<u>\$2,396,312</u>
Total assets	<u>\$558,497</u>	<u>\$2,878,632</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 23,053	\$ 498
Salaries payable	11,709	-
Contracts payable	-	-
Accrued compensated absences	14,451	-
Accrued interest payable	-	865
Due to other funds	103,806	492
Due to state government	-	-
General obligation bonds	-	95,000
General obligation notes	-	-
Prepaid interments	47,138	-
Unearned revenue	<u>113,771</u>	<u>-</u>
Total current liabilities	<u>\$313,928</u>	<u>\$ 96,855</u>
Long-term debt:		
General obligation bonds	\$ -	\$ 200,000
General obligation notes	-	-
Net OPEB obligation	4,510	2,616
Total long-term debt	<u>\$ 4,510</u>	<u>\$ 202,616</u>
Total liabilities	<u>\$318,438</u>	<u>\$ 299,471</u>
Net assets:		
Invested in capital assets, net of related debt	\$226,923	\$2,101,311
Unrestricted	<u>13,136</u>	<u>477,850</u>
Total net assets	<u>\$240,059</u>	<u>\$2,579,161</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 212,215	\$ 14,843	\$ 30,223	\$ 111,452	\$ 787,655
100,000	-	-	50,000	250,050
-	-	-	-	115,648
148,042	6,962	7,538	547,632	774,792
257	-	-	54	497
-	15,190	-	79,354	95,094
-	-	-	-	113,137
4,940	-	-	-	4,940
631	1,437	-	959	3,810
<u>\$ 466,085</u>	<u>\$ 38,432</u>	<u>\$ 37,761</u>	<u>\$ 789,451</u>	<u>\$ 2,145,623</u>
\$ -	\$196,813	\$4,143,120	\$ -	\$ 4,339,933
461,278	553,873	-	408,710	1,471,560
11,333	342,904	-	476,229	1,027,425
-	64,066	2,584,991	-	3,061,977
780,618	38,527	13,000	689,319	1,564,691
-	-	-	-	3,951,280
-	-	-	-	5,516
(594,237)	(552,332)	(2,549,434)	(419,514)	(6,149,883)
<u>\$ 658,992</u>	<u>\$643,851</u>	<u>\$4,191,677</u>	<u>\$1,154,744</u>	<u>\$ 9,272,499</u>
<u>\$1,125,077</u>	<u>\$682,283</u>	<u>\$4,229,438</u>	<u>\$1,944,195</u>	<u>\$11,418,122</u>
\$ 44,427	\$ 28,421	\$ 6,020	\$ 46,548	\$ 148,967
33,888	16,258	2,010	45,598	109,463
-	-	-	-	-
43,176	11,021	5,380	51,341	125,369
-	-	-	1,019	1,884
2,053	283	-	1,513	108,147
-	2,750	-	-	2,750
-	-	-	-	95,000
-	-	-	74,003	74,003
-	-	-	-	47,138
-	-	900	-	114,671
<u>\$ 123,544</u>	<u>\$ 58,733</u>	<u>\$ 14,310</u>	<u>\$ 220,022</u>	<u>\$ 827,392</u>
\$ -	\$ -	\$ -	\$ -	\$ 200,000
-	-	-	282,887	282,887
15,527	1,894	1,299	14,407	40,253
<u>\$ 15,527</u>	<u>\$ 1,894</u>	<u>\$ 1,299</u>	<u>\$ 297,294</u>	<u>\$ 523,140</u>
<u>\$ 139,071</u>	<u>\$ 60,627</u>	<u>\$ 15,609</u>	<u>\$ 517,316</u>	<u>\$ 1,350,532</u>
\$ 658,992	\$643,851	\$4,191,677	\$ 797,854	\$ 8,620,608
327,014	(22,195)	22,152	629,025	1,446,982
<u>\$ 986,006</u>	<u>\$621,656</u>	<u>\$4,213,829</u>	<u>\$1,426,879</u>	<u>\$10,067,590</u>

CITY OF MASON CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Cemetery</u>	<u>Storm Sewer</u>
Operating revenues:		
Charges for service	\$ 87,042	\$ 287,412
Operating expenses:		
Business-type activities:		
Personal service	\$ 244,528	\$ 997
Contractual	14,116	-
Commodities	14,444	11,255
Other	-	5
Depreciation	23,733	155,743
Total operating expenses	<u>\$ 296,821</u>	<u>\$ 168,000</u>
Operating income (loss)	<u>\$ (209,779)</u>	<u>\$ 119,412</u>
Nonoperating revenues (expenses):		
Property taxes	\$ 112,825	\$ -
Intergovernmental	-	-
Fines and forfeitures	-	-
Use of money and property	34,094	2,411
Special assessments	-	-
Miscellaneous	36,801	-
Interest	-	(14,263)
Total nonoperating revenue (expenses)	<u>\$ 183,720</u>	<u>\$ (11,852)</u>
Income (loss) before contributions and transfers	<u>\$ (26,059)</u>	<u>\$ 107,560</u>
Contributions and transfers:		
Transfers in	\$ 21,400	\$ -
Transfers out	-	-
Total contributions and transfers	<u>\$ 21,400</u>	<u>\$ -</u>
Change in net assets	\$ (4,659)	\$ 107,560
Net assets beginning of year	<u>244,718</u>	<u>2,471,601</u>
Net assets end of year	<u>\$ 240,059</u>	<u>\$2,579,161</u>

*See Accompanying Independent Auditor's Report.*

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
<u>\$1,226,113</u>	<u>\$438,227</u>	<u>\$ 49,756</u>	<u>\$1,465,961</u>	<u>\$ 3,554,511</u>
\$ 748,534	\$255,219	\$ 53,645	\$ 963,574	\$ 2,266,497
341,320	41,448	63,782	112,725	573,392
63,643	113,910	2,306	57,202	262,760
39	218	-	(234)	28
77,551	42,306	14,434	113,330	427,096
<u>\$1,231,087</u>	<u>\$453,101</u>	<u>\$ 134,167</u>	<u>\$1,246,597</u>	<u>\$ 3,529,773</u>
<u>\$ (4,974)</u>	<u>\$ (14,874)</u>	<u>\$ (84,411)</u>	<u>\$ 219,364</u>	<u>\$ 24,738</u>
\$ -	\$ -	\$ -	\$ -	\$ 112,825
(19,555)	-	-	-	(19,555)
-	-	58,062	-	58,062
1,197	27,944	94	776	66,516
1,085	-	-	-	1,085
868	5,021	-	35,267	77,958
-	-	-	(9,654)	(23,918)
<u>\$ (16,405)</u>	<u>\$ 32,965</u>	<u>\$ 58,156</u>	<u>\$ 26,389</u>	<u>\$ 272,973</u>
<u>\$ (21,379)</u>	<u>\$ 18,091</u>	<u>\$ (26,255)</u>	<u>\$ 245,753</u>	<u>\$ 297,711</u>
\$ -	\$ -	\$ 45,000	\$ -	\$ 66,400
(73,707)	-	-	-	(73,707)
<u>\$ (73,707)</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ -</u>	<u>\$ (7,307)</u>
\$ (95,086)	\$ 18,091	\$ 18,745	\$ 245,753	\$ 290,404
<u>1,081,092</u>	<u>603,565</u>	<u>4,195,084</u>	<u>1,181,126</u>	<u>9,777,186</u>
<u>\$ 986,006</u>	<u>\$621,656</u>	<u>\$4,213,829</u>	<u>\$1,426,879</u>	<u>\$10,067,590</u>

CITY OF MASON CITY, IOWA  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 94,446	\$ 286,915
Cash paid to employees for services	(240,580)	-
Cash paid to other suppliers of goods or services	(28,875)	(21,958)
Proceeds from miscellaneous items	<u>36,802</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (138,207)</u>	<u>\$ 264,957</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ 112,544	\$ -
Transfers in	21,400	-
Intergovernmental proceeds	-	-
Advance repayment from other funds	<u>-</u>	<u>95,225</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 133,944</u>	<u>\$ 95,225</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (31,569)	\$ (286,740)
Principal payments	-	(160,000)
Interest payments	-	(14,687)
Proceeds from issuance of bonds	<u>-</u>	<u>-</u>
Net cash provided (used) for capital and related financing activities	<u>\$ (31,569)</u>	<u>\$ (461,427)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ 290,000
Purchase of investments	-	(390,000)
Interest received	24,512	3,061
Rent received	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ 24,512</u>	<u>\$ (96,939)</u>
Net increase (decrease) in cash	\$ (11,320)	\$ (198,184)
Cash beginning of year	<u>102,235</u>	<u>526,191</u>
Cash end of year	<u>\$ 90,915</u>	<u>\$ 328,007</u>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$1,220,065	\$469,085	\$ 42,068	\$1,460,152	\$3,572,731
(731,335)	(253,344)	(48,018)	(848,560)	(2,121,837)
(385,533)	(229,917)	(66,982)	(341,724)	(1,074,989)
<u>868</u>	<u>5,021</u>	<u>58,062</u>	<u>35,267</u>	<u>136,020</u>
<u>\$ 104,065</u>	<u>\$ (9,155)</u>	<u>\$ (14,870)</u>	<u>\$ 305,135</u>	<u>\$ 511,925</u>
\$ -	\$ -	\$ -	\$ -	\$ 112,544
-	-	45,000	-	66,400
13,529	-	-	-	13,529
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,225</u>
<u>\$ 13,529</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ -</u>	<u>\$ 287,698</u>
\$ -	\$ -	\$ -	\$ (360,249)	\$ (678,558)
-	-	-	(44,162)	(204,162)
-	-	-	(9,617)	(24,304)
<u>-</u>	<u>-</u>	<u>-</u>	<u>160,000</u>	<u>160,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (254,028)</u>	<u>\$ (747,024)</u>
\$ 205,000	\$ -	\$ -	\$ 125,000	\$ 620,000
(305,000)	-	-	(175,000)	(870,000)
1,127	29	93	796	29,618
<u>-</u>	<u>23,886</u>	<u>-</u>	<u>-</u>	<u>23,886</u>
<u>\$ (98,873)</u>	<u>\$ 23,915</u>	<u>\$ -</u>	<u>\$ (49,204)</u>	<u>\$ (196,496)</u>
\$ 18,721	\$ 14,760	\$ 30,223	\$ 1,903	\$ (143,897)
193,494	83	-	109,549	931,552
<u>\$ 212,215</u>	<u>\$ 14,843</u>	<u>\$ 30,223</u>	<u>\$ 111,452</u>	<u>\$ 787,655</u>

CITY OF MASON CITY, IOWA  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010

	<u>Cemetery</u>	<u>Storm Sewer</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$(209,777)	\$119,411
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	23,732	155,743
Miscellaneous income	36,802	-
Change in assets and liabilities:		
(Increase) decrease in receivables	8,490	(495)
(Increase) decrease in inventory	(289)	-
(Increase) decrease in prepaid insurance	4	-
Increase (decrease) in accounts and contracts payable	646	(11,159)
Increase (decrease) in salaries payable	1,176	-
Increase (decrease) in accrued compensated absences	826	-
Increase (decrease) in due to other funds	(675)	460
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	(1,087)	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	<u>1,945</u>	<u>997</u>
Net cash provided (used) by operating activities	<u>\$(138,207)</u>	<u>\$264,957</u>

*See Accompanying Independent Auditor's Report.*

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ (4,974)	\$ (14,874)	\$ (84,411)	\$219,363	\$ 24,738
77,551	42,306	14,434	113,330	427,096
868	5,021	58,062	35,267	136,020
(6,048)	-	(7,538)	(26,318)	(31,909)
-	(14,065)	-	(79,354)	(93,708)
85	(5)	-	(470)	(386)
19,540	(4,304)	4,368	23,759	32,850
3,962	755	282	7,548	13,723
7,111	1,218	4,863	7,020	21,038
(154)	(25,860)	(5,261)	(1,195)	(32,685)
-	(59)	-	-	(59)
-	-	-	-	(1,087)
-	-	(150)	-	(150)
<u>6,124</u>	<u>712</u>	<u>481</u>	<u>6,185</u>	<u>16,444</u>
<u>\$104,065</u>	<u>\$ (9,155)</u>	<u>\$ (14,870)</u>	<u>\$305,135</u>	<u>\$511,925</u>

*INTERNAL SERVICE FUNDS*

CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash	\$ -	\$ 499,145	\$ 499,145
Investments	-	1,425,756	1,425,756
Receivables:			
Property taxes	-	776,212	776,212
Accrued interest	-	2,438	2,438
Due from other funds	21,897	67,167	89,064
Prepaid insurance	89	-	89
Total current assets	<u>\$ 21,986</u>	<u>\$2,770,718</u>	<u>\$2,792,704</u>
Property, plant and equipment:			
Equipment	\$105,098	\$ -	\$ 105,098
Vehicles	85,174	-	85,174
Total property, plant and equipment	<u>\$190,272</u>	<u>\$ -</u>	<u>\$ 190,272</u>
Less accumulated depreciation	<u>(124,709)</u>	<u>-</u>	<u>(124,709)</u>
Net property, plant and equipment	<u>\$ 65,563</u>	<u>\$ -</u>	<u>\$ 65,563</u>
Total assets	<u>\$ 87,549</u>	<u>\$2,770,718</u>	<u>\$2,858,267</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 2,747	\$ 673,327	\$ 676,074
Salaries payable	7,680	-	7,680
Accrued compensated absences	12,799	-	12,799
Due to other funds	67,251	-	67,251
Unearned revenue	-	783,026	783,026
Total liabilities	<u>\$ 90,477</u>	<u>\$1,456,353</u>	<u>\$1,546,830</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 65,563	\$ -	\$ 65,563
Unrestricted	<u>(68,491)</u>	<u>1,314,365</u>	<u>1,245,874</u>
Total net assets	<u>\$ (2,928)</u>	<u>\$1,314,365</u>	<u>\$1,311,437</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for service	\$245,849	\$ -	\$ 245,849
Health insurance contributions	-	2,382,832	2,382,832
Total operating revenues	<u>\$245,849</u>	<u>\$2,382,832</u>	<u>\$2,628,681</u>
<b>Operating expenses:</b>			
Business type activities:			
Personal services	\$171,763	\$2,631,958	\$2,803,721
Contractual	12,470	-	12,470
Commodities	18,802	-	18,802
Depreciation	14,475	-	14,475
Total operating expenses	<u>\$217,510</u>	<u>\$2,631,958</u>	<u>\$2,849,468</u>
Operating income (loss)	<u>\$ 28,339</u>	<u>\$ (249,126)</u>	<u>\$ (220,787)</u>
<b>Nonoperating revenues:</b>			
Property taxes	\$ -	\$ 763,763	\$ 763,763
Use of money and property	-	21,657	21,657
Refunds	-	197	197
Total nonoperating revenues	<u>\$ -</u>	<u>\$ 785,617</u>	<u>\$ 785,617</u>
Income before contributions and transfers	\$ 28,339	\$ 536,491	\$ 564,830
<b>Contributions and transfers:</b>			
Transfers out	-	(694,000)	(694,000)
Change in net assets	\$ 28,339	\$ (157,509)	\$ (129,170)
Net assets beginning of year	<u>(31,267)</u>	<u>1,471,874</u>	<u>1,440,607</u>
Net assets end of year	<u>\$ (2,928)</u>	<u>\$1,314,365</u>	<u>\$1,311,437</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$247,353	\$2,045,583	\$2,292,936
Cash received from employees and others	-	337,241	337,241
Cash paid to employees for services	(170,835)	-	(170,835)
Cash paid to suppliers	(76,518)	-	(76,518)
Cash paid for health and life insurance	-	(2,522,236)	(2,522,236)
Proceeds from miscellaneous items	-	(67,167)	(67,167)
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ (206,579)</u>	<u>\$ (206,579)</u>
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	\$ -	\$ 765,781	\$ 765,781
Transfers out	-	(694,000)	(694,000)
Net cash provided (used) by non-capital financing activities	<u>\$ -</u>	<u>\$ 71,781</u>	<u>\$ 71,781</u>
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$2,250,000	\$2,250,000
Purchase of investments	-	(2,850,000)	(2,850,000)
Interest received	-	26,794	26,794
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ (573,206)</u>	<u>\$ (573,206)</u>
Net increase in cash	\$ -	\$ (708,004)	\$ (708,004)
Cash beginning of year	-	1,207,149	1,207,149
Cash end of year	<u>\$ -</u>	<u>\$ 499,145</u>	<u>\$ 499,145</u>
Noncash capital, investing and financing activities:			
Increase in fair market value of investments	<u>\$ -</u>	<u>\$ 528</u>	<u>\$ 528</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 28,339	\$ (249,126)	\$ (220,787)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	14,475	-	14,475
Change in assets and liabilities:			
(Increase) decrease in receivables	-	1,017	1,017
(Increase) decrease in due from other funds	1,504	5,948	7,452
(Increase) decrease in prepaid insurance	(40)	-	(40)
Increase (decrease) in accounts payable	(39,245)	34,987	(4,258)
Increase (decrease) in salaries payable	368	-	368
Increase (decrease) in compensated absences	560	-	560
Increase (decrease) in unearned revenues	-	595	595
Increase (decrease) in due to other funds	(5,961)	-	(5,961)
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ (206,579)</u>	<u>\$ (206,579)</u>

See Accompanying Independent Auditor's Report.

*AGENCY FUND*

CITY OF MASON CITY, IOWA  
 U.S. SAVINGS BOND AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Cash	<u>\$345</u>	<u>\$9,030</u>	<u>\$8,975</u>	<u>\$400</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ 200	\$ -	\$200
Due to purchase bonds	<u>345</u>	<u>8,830</u>	<u>8,975</u>	<u>200</u>
Total liabilities	<u>\$345</u>	<u>\$9,030</u>	<u>\$8,975</u>	<u>\$400</u>

*See Accompanying Independent Auditor's Report.*

*CAPITAL ASSETS USED*

*IN*

*OPERATIONS*

CITY OF MASON CITY, IOWA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE  
 JUNE 30, 2010

General capital assets:	
Land	\$ 2,634,356
Buildings and structures	9,948,732
Improvements other than buildings	25,695,298
Machinery and equipment	5,741,282
Vehicles	7,397,487
Infrastructure	71,589,783
Construction in progress	<u>13,427,311</u>
<b>Total general capital assets</b>	<b><u>\$136,434,249</u></b>
 Investment in general capital assets by source:	
General fund	<u>\$136,434,249</u>

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

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 JUNE 30, 2010

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police	\$ 3,303,587	\$ 115,000
Fire	3,782,601	75,150
Civil Defense	225,118	-
Building	46,998	-
Inspectors	39,024	-
Neighborhood Services	835,178	-
Total public safety	<u>\$ 8,232,506</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$ 22,433,659	\$1,725,891
Street	3,771,874	31,363
Infrastructure	72,306,335	-
Arborist	144,213	-
Engineer	228,974	-
Total public works	<u>\$ 98,885,055</u>	<u>\$1,757,254</u>
Health and Social Services:		
Youth Task Force	\$ 17,414	\$ -
Health	4,391	-
Human Rights	43,005	-
Total health and social services	<u>\$ 64,810</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 14,052,766	\$ 673,452
Swimming Pool	3,179,585	-
Recreation	255,839	-
Library	7,404,406	13,500
Museum	1,567,757	-
Band	2,881	-
Total culture and recreation	<u>\$ 26,463,234</u>	<u>\$ 686,952</u>
Community and Economic Development:		
Growth Development and Planning	\$ 45,665	\$ -
Transit	1,350,128	-
Total community and economic development	<u>\$ 1,395,793</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 5,252	\$ -
Council/Coffee room	31,267	-
Administrator	18,347	-
Finance	89,844	-
Clerk	18,470	-
City Hall	1,218,252	-
Safety Director	7,844	-
GIS	3,575	-
Total general government	<u>\$ 1,392,851</u>	<u>\$ -</u>
Total general capital assets	<u>\$136,434,249</u>	<u>\$2,634,356</u>

*See Accompanying Independent Auditor's Report.*

<u>Buildings and Structures</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery &amp; Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>
\$1,697,228	\$ -	\$ 887,375	\$ 603,984	\$ -	\$ -
911,166	94,412	725,983	1,975,890	-	-
-	-	225,118	-	-	-
-	-	15,409	31,589	-	-
-	-	10,001	29,023	-	-
791,990	-	5,590	37,598	-	-
<u>\$3,400,384</u>	<u>\$ 94,412</u>	<u>\$1,869,476</u>	<u>\$2,678,084</u>	<u>\$ -</u>	<u>\$ -</u>
\$1,844,254	\$16,751,466	\$ 474,517	\$1,326,130	\$ -	\$ 311,401
886,405	-	877,463	1,976,643	-	-
-	-	-	-	71,589,783	716,552
-	-	7,883	136,330	-	-
-	-	144,023	84,951	-	-
<u>\$2,730,659</u>	<u>\$16,751,466</u>	<u>\$1,503,886</u>	<u>\$3,524,054</u>	<u>\$71,589,783</u>	<u>\$ 1,027,953</u>
\$ -	\$ -	\$ 17,414	\$ -	\$ -	\$ -
-	-	4,391	-	-	-
-	-	43,005	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 941,056	\$ 5,493,326	\$ 979,514	\$ 207,077	\$ -	\$ 5,758,341
-	3,080,480	99,105	-	-	-
-	22,190	154,513	79,136	-	-
186,419	237,696	325,774	-	-	6,641,017
1,399,325	14,188	154,244	-	-	-
-	-	2,881	-	-	-
<u>\$2,526,800</u>	<u>\$ 8,847,880</u>	<u>\$1,716,031</u>	<u>\$ 286,213</u>	<u>\$ -</u>	<u>\$12,399,358</u>
\$ -	\$ -	\$ 45,665	\$ -	\$ -	\$ -
394,539	-	46,453	909,136	-	-
<u>\$ 394,539</u>	<u>\$ -</u>	<u>\$ 92,118</u>	<u>\$ 909,136</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 5,252	\$ -	\$ -	\$ -
-	-	31,267	-	-	-
-	-	18,347	-	-	-
-	-	89,844	-	-	-
-	-	18,470	-	-	-
896,350	1,540	320,362	-	-	-
-	-	7,844	-	-	-
-	-	3,575	-	-	-
<u>\$ 896,350</u>	<u>\$ 1,540</u>	<u>\$ 494,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$9,948,732</u>	<u>\$25,695,298</u>	<u>\$5,741,282</u>	<u>\$7,397,487</u>	<u>\$71,589,783</u>	<u>\$13,427,311</u>

CITY OF MASON CITY, IOWA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 YEAR ENDED JUNE 30, 2010

<u>Function and Activity</u>	<u>Balance June 30, 2009</u>
Public Safety:	
Police	\$ 3,254,174
Fire	3,773,251
Civil Defense	225,118
Building	46,998
Inspectors	39,024
Neighborhood Services	43,188
Total public safety	<u>\$ 7,381,753</u>
Public Works:	
Airport	\$ 18,365,431
Street	3,606,186
Infrastructure	60,142,090
Arborist	144,213
Engineer	228,974
Total public works	<u>\$ 82,486,894</u>
Health and Social Services:	
Youth Task Force	\$ 17,414
Health	4,391
Human Rights	43,005
Total health and social services	<u>\$ 64,810</u>
Culture and Recreation:	
Parks	\$ 5,735,137
Swimming Pool	3,160,186
Recreation	253,065
Library	847,517
Museum	1,900,802
Band	2,881
Total culture and recreation	<u>\$ 11,899,588</u>
Community and Economic Development:	
Growth Development and Planning	\$ 41,575
Transit	1,181,185
Total community and economic development	<u>\$ 1,222,760</u>
General Government:	
Mayor	\$ 5,252
Council/Coffee room	31,267
Administrator	18,347
Finance	91,476
Clerk	18,470
City Hall	1,218,252
Safety Director	7,844
GIS	3,575
Total general government	<u>\$ 1,394,483</u>
Construction in progress	<u>\$ 14,099,080</u>
Total general capital assets	<u><u>\$118,549,368</u></u>

*See Accompanying Independent Auditor's Report.*

<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
\$ 198,095	\$ 148,682	\$ 3,303,587
12,000	2,650	3,782,601
-	-	225,118
-	-	46,998
-	-	39,024
791,990	-	835,178
<u>\$ 1,002,085</u>	<u>\$ 151,332</u>	<u>\$ 8,232,506</u>
\$ 3,787,270	\$ 30,443	\$ 22,122,258
232,249	66,561	3,771,874
11,447,693	-	71,589,783
-	-	144,213
-	-	228,974
<u>\$15,467,212</u>	<u>\$ 97,004</u>	<u>\$ 97,857,102</u>
\$ -	\$ -	\$ 17,414
-	-	4,391
-	-	43,005
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,810</u>
\$ 2,559,288	\$ -	\$ 8,294,425
19,399	-	3,179,585
2,950	176	255,839
72,725	156,853	763,389
22,825	355,870	1,567,757
-	-	2,881
<u>\$ 2,677,187</u>	<u>\$ 512,899</u>	<u>\$ 14,063,876</u>
\$ 4,090	\$ -	\$ 45,665
319,653	150,710	1,350,128
<u>\$ 323,743</u>	<u>\$ 150,710</u>	<u>\$ 1,395,793</u>
\$ -	\$ -	\$ 5,252
-	-	31,267
-	-	18,347
3,500	5,132	89,844
-	-	18,470
-	-	1,218,252
-	-	7,844
-	-	3,575
<u>\$ 3,500</u>	<u>\$ 5,132</u>	<u>\$ 1,392,851</u>
<u>\$17,810,974</u>	<u>\$18,482,743</u>	<u>\$ 13,427,311</u>
<u>\$37,284,701</u>	<u>\$19,399,820</u>	<u>\$136,434,249</u>

**STATISTICAL  
SECTION**

CITY OF MASON CITY, IOWA  
STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	112-121
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	122-130
<b>Debt Capacity</b> 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.	131-138
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	139-143
<b>Operating Information</b> 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.	144-147

**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 EIGHT FISCAL YEARS  
(accrual basis of accounting)

	<u>2010</u>	<u>2009</u>
Governmental activities:		
Invested in capital assets, net of related debt	\$ 67,769,666	\$ 60,958,677
Restricted for:		
Museum funding	633,638	633,638
Bond retirement	61,631	267,858
Perpetual care	505,269	486,855
Unrestricted	21,388,087	20,911,732
Total governmental activities net assets	<u>\$ 90,358,291</u>	<u>\$ 83,258,760</u>
Business-type activities:		
Invested in capital assets, net of related debt	\$ 38,361,919	\$ 38,209,810
Restricted for:		
Bond retirement	2,853,334	2,836,665
Capital projects	-	-
Unrestricted	3,251,027	2,085,637
Total business-type activities net assets	<u>\$ 44,466,280</u>	<u>\$ 43,132,112</u>
Primary government:		
Invested in capital assets, net of related debt	\$106,131,585	\$ 99,168,487
Restricted for:		
Museum funding	633,638	633,638
Bond retirement	2,914,965	3,104,523
Capital projects	-	-
Perpetual care	505,269	486,855
Unrestricted	24,639,114	22,997,639
Total primary government net assets	<u>\$134,824,571</u>	<u>\$126,390,872</u>

*See Accompanying Independent Auditor's Report.*

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 54,151,661	\$ 51,379,331	\$ 47,154,271	\$ 41,643,488	\$33,654,513	\$25,910,449
633,638	610,638	-	-	-	-
362,803	505,025	619,718	769,200	1,221,315	2,313,361
455,442	429,743	418,734	448,409	414,424	440,142
23,700,869	22,247,468	20,839,020	22,232,947	21,906,460	27,179,952
<u>\$ 79,304,413</u>	<u>\$ 75,172,205</u>	<u>\$ 69,031,743</u>	<u>\$ 65,094,044</u>	<u>\$57,196,712</u>	<u>\$55,843,904</u>
\$ 36,086,120	\$ 35,294,652	\$ 34,761,907	\$ 34,113,573	\$34,673,507	\$29,846,554
2,799,606	2,578,675	2,379,182	1,920,304	1,695,224	1,587,958
-	-	-	-	435,680	-
2,149,576	1,274,797	1,206,696	1,926,433	(1,240,259)	626,337
<u>\$ 41,035,302</u>	<u>\$ 39,148,124</u>	<u>\$ 38,347,785</u>	<u>\$ 37,960,310</u>	<u>\$35,564,152</u>	<u>\$32,060,849</u>
\$ 90,237,781	\$ 86,673,983	\$ 81,916,178	\$ 75,757,061	\$68,328,020	\$55,757,003
633,638	610,638	-	-	-	-
3,162,409	3,083,700	2,998,900	2,689,504	2,916,539	3,901,319
-	-	-	-	435,680	-
455,442	429,743	418,734	448,409	414,424	440,142
25,850,445	23,522,265	22,045,716	24,159,380	20,666,201	27,806,289
<u>\$120,339,715</u>	<u>\$114,320,329</u>	<u>\$107,379,528</u>	<u>\$103,054,354</u>	<u>\$92,760,864</u>	<u>\$87,904,753</u>

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

	<u>2010</u>	<u>2009</u>
<b>Expenses:</b>		
Governmental activities:		
Public safety	\$ 8,897,795	\$ 8,776,634
Public works	6,910,495	6,912,927
Health and social services	779,197	769,456
Culture and recreation	3,475,535	3,720,434
Community and economic development	2,368,084	1,937,074
General government	2,593,594	2,668,372
Interest on long-term debt	987,814	695,529
Total governmental activities expenses	<u>\$ 26,012,514</u>	<u>\$ 25,480,426</u>
Business-type activities:		
Cemetery	\$ 300,661	\$ 282,484
Water	5,244,979	5,047,464
Sewer	3,473,401	3,118,427
Parking lots	135,289	118,762
Storm sewer	182,262	178,107
Solid waste	1,244,442	1,216,902
Golf course	453,765	463,543
Ambulance	1,265,397	1,353,951
Total business-type activities expenses	<u>\$ 12,300,196</u>	<u>\$ 11,779,640</u>
<b>Total primary government expenses</b>	<u><b>\$ 38,312,710</b></u>	<u><b>\$ 37,260,066</b></u>
<b>Program Revenues:</b>		
Governmental activities:		
Charges for services:		
Public safety	\$ 287,781	\$ 388,341
Culture and recreation	458,412	474,665
General government	382,266	453,072
Other activities	587,134	215,322
Operating grants and contributions	2,380,822	1,970,043
Capital grants and contributions	7,737,713	4,828,170
Total governmental activities program revenues	<u>\$ 11,834,128</u>	<u>\$ 8,329,613</u>
Business-type activities:		
Charges for services:		
Water	\$ 4,979,982	\$ 4,647,116
Sewer	4,304,033	4,196,151
Other activities	3,612,573	3,637,931
Operating grants and contributions	188,313	584,695
Capital grants and contributions	206,190	270,810
Total business-type activities program revenues	<u>\$ 13,291,091</u>	<u>\$ 13,336,703</u>
<b>Total primary government program revenues</b>	<u><b>\$ 25,125,219</b></u>	<u><b>\$ 21,666,316</b></u>
<b>Net (Expense) Revenues:</b>		
Governmental activities	\$ (14,178,386)	\$ (17,150,813)
Business-type activities	990,895	1,557,063
<b>Total primary government net (expense)/ revenues</b>	<u><b>\$ (13,187,491)</b></u>	<u><b>\$ (15,593,750)</b></u>

(continued)

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 8,836,067	\$ 8,497,763	\$ 8,550,232	\$ 7,926,815	\$ 7,651,154	\$ 6,906,490
6,547,510	5,695,837	5,510,270	4,320,043	5,408,728	5,478,863
838,912	719,340	614,429	661,340	556,758	484,978
3,192,566	3,197,601	3,029,345	2,852,682	2,739,284	2,298,424
1,516,775	1,429,911	3,610,475	2,886,020	3,885,016	4,005,048
2,206,251	2,241,467	2,366,733	2,215,481	2,013,286	2,176,336
580,638	541,891	509,503	521,935	589,257	544,542
<u>\$ 23,718,719</u>	<u>\$ 22,323,810</u>	<u>\$ 24,190,987</u>	<u>\$21,384,316</u>	<u>\$ 22,843,483</u>	<u>\$ 21,894,681</u>
\$ 263,411	\$ 265,149	\$ 258,434	\$ 243,474	\$ 242,607	\$ 236,838
4,896,428	4,791,948	4,193,851	3,165,550	2,755,310	2,461,202
2,841,619	2,754,070	2,670,534	2,519,795	2,375,568	2,518,571
112,018	103,884	114,494	96,321	93,865	86,350
188,876	116,252	125,947	122,333	108,823	116,243
1,201,526	1,141,987	1,090,911	1,020,631	980,181	980,430
496,383	465,044	404,347	326,498	333,049	312,588
1,300,570	1,169,878	1,150,308	907,072	213,640	-
<u>\$ 11,300,831</u>	<u>\$ 10,808,212</u>	<u>\$ 10,008,826</u>	<u>\$ 8,401,674</u>	<u>\$ 7,103,043</u>	<u>\$ 6,712,222</u>
<u>\$ 35,019,550</u>	<u>\$ 33,132,022</u>	<u>\$ 34,199,813</u>	<u>\$29,785,990</u>	<u>\$ 29,946,526</u>	<u>\$ 28,606,903</u>
\$ 331,821	\$ 469,917	\$ 503,548	\$ 569,319	\$ 533,677	\$ 603,241
462,564	529,079	465,783	443,535	495,459	440,545
399,780	372,805	203,975	481,621	298,815	325,566
266,913	229,317	506,609	292,758	380,010	478,847
1,586,253	1,690,908	3,382,410	3,200,201	2,982,349	2,343,486
3,383,038	4,537,680	4,771,256	7,357,615	1,404,793	1,632,310
<u>\$ 6,430,369</u>	<u>\$ 7,819,706</u>	<u>\$ 9,833,581</u>	<u>\$12,345,049</u>	<u>\$ 6,095,103</u>	<u>\$ 5,823,995</u>
\$ 4,701,954	\$ 4,587,840	\$ 4,091,801	\$ 3,996,205	\$ 3,542,206	\$ 2,991,747
3,060,266	2,583,223	2,347,982	2,275,044	2,028,147	2,125,686
3,525,466	3,272,750	3,043,408	2,630,558	1,621,988	1,582,947
-	-	-	-	-	-
1,111,409	583,409	523,134	1,236,866	3,289,676	1,667,106
<u>\$ 12,399,095</u>	<u>\$ 11,027,222</u>	<u>\$ 10,006,325</u>	<u>\$10,138,673</u>	<u>\$ 10,482,017</u>	<u>\$ 8,367,486</u>
<u>\$ 18,829,464</u>	<u>\$ 18,856,928</u>	<u>\$ 19,839,906</u>	<u>\$22,483,722</u>	<u>\$ 16,577,120</u>	<u>\$ 14,191,481</u>
\$ (17,288,350)	\$ (14,494,104)	\$ (14,357,406)	\$ (9,039,267)	\$ (16,748,380)	\$ (16,070,686)
1,098,264	219,010	(2,501)	1,736,999	3,378,974	1,655,264
<u>\$ (16,190,086)</u>	<u>\$ (14,275,094)</u>	<u>\$ (14,359,907)</u>	<u>\$ (7,302,268)</u>	<u>\$ (13,369,406)</u>	<u>\$ (14,415,422)</u>

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

	2010	2009
<b>General Revenues and Other Changes in Net Assets:</b>		
Governmental activities:		
General revenues:		
Property taxes	\$13,104,150	\$12,884,283
Other taxes	4,435,891	4,576,634
Franchise taxes	-	-
Road use tax	2,466,138	2,417,780
Unrestricted state utility tax replacement	174,130	186,493
Grants and contributions not restricted to specific program	19,107	44,895
Unrestricted investment income	1,068,587	795,157
Gain (loss) on sale of capital assets	-	-
Miscellaneous	13,663	265,548
Transfers	(3,749)	(65,630)
Total governmental activities	\$21,277,917	\$21,105,160
Business-type activities:		
General revenues:		
Property taxes	\$ 112,825	\$ 105,232
Grants and contributions not restricted to specific program	-	-
Unrestricted investment income	133,399	198,766
Gain (loss) on sale of capital assets	-	-
Miscellaneous	93,300	170,119
Transfers	3,749	65,630
Total business-type activities	\$ 343,273	\$ 539,747
Total primary government	\$21,621,190	\$21,644,907
<b>Change in Net Assets:</b>		
Governmental activities	\$ 7,099,531	\$ 3,954,347
Business-type activities	1,334,168	2,096,810
Total primary government	\$ 8,433,699	\$ 6,051,157

*See Accompanying Independent Auditor's Report.*

SCHEDULE 2  
(continued)

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$12,343,528	\$11,819,970	\$10,490,524	\$ 9,449,162	\$ 9,121,213	\$ 8,897,703
5,032,706	4,400,683	4,112,909	3,628,930	5,260,326	3,981,825
-	-	-	12,883	72,000	20,628
2,499,599	2,440,873	2,442,817	2,422,050	2,444,356	2,355,322
186,315	184,216	159,226	161,992	171,678	388,170
10,001	92,191	80,804	17,401	132,876	319,333
1,478,799	1,746,741	1,028,584	1,340,758	693,661	1,059,921
-	-	-	-	-	(286,153)
104,746	46,892	10,037	259,635	146,427	130,268
(235,136)	(97,000)	(29,796)	(356,212)	58,651	(791,038)
<u>\$21,420,558</u>	<u>\$20,634,566</u>	<u>\$18,295,105</u>	<u>\$16,936,599</u>	<u>\$18,101,188</u>	<u>\$16,075,979</u>
\$ 100,873	\$ 92,417	\$ 92,994	\$ 87,090	\$ 83,372	\$ 87,734
2,825	-	-	-	-	-
346,442	343,964	185,868	182,609	65,418	124,702
-	-	-	-	-	(2,437)
103,638	47,948	81,318	33,248	34,190	37,944
235,136	97,000	29,796	356,212	(58,651)	791,038
<u>\$ 788,914</u>	<u>\$ 581,329</u>	<u>\$ 389,976</u>	<u>\$ 659,159</u>	<u>\$ 124,329</u>	<u>\$ 1,038,981</u>
<u>\$22,209,472</u>	<u>\$21,215,895</u>	<u>\$18,685,081</u>	<u>\$17,595,758</u>	<u>\$18,255,517</u>	<u>\$17,114,960</u>
\$ 4,132,208	\$ 6,140,462	\$ 3,937,699	\$ 7,897,332	\$ 1,352,808	\$ 5,293
1,887,178	800,339	387,475	2,396,158	3,503,303	2,694,245
<u>\$ 6,019,386</u>	<u>\$ 6,940,801</u>	<u>\$ 4,325,174</u>	<u>\$10,293,490</u>	<u>\$ 4,856,111</u>	<u>\$ 2,699,538</u>

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

	<u>2010</u>	<u>2009</u>
General Fund:		
Reserved	\$ 214,097	\$ 227,684
Unreserved	8,311,761	7,035,343
Total general fund	<u>\$ 8,525,858</u>	<u>\$ 7,263,027</u>
All Other Governmental Funds:		
Reserved	\$ 577,521	\$ 764,606
Unreserved, reported in:		
Special revenue funds	9,542,365	8,662,741
Capital project funds	654,364	2,371,946
Permanent funds	809,229	901,820
Total all other governmental funds	<u>\$11,583,479</u>	<u>\$12,701,113</u>

Note: GASB 34 implemented in 2003, therefore, only eight years presented.

*See Accompanying Independent Auditor's Report.*

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 209,866	\$ 211,759	\$ 208,096	\$ 212,296	\$ 190,564	\$ 222,936
8,412,260	8,669,062	8,593,915	9,052,118	8,976,676	8,472,303
<u>\$ 8,622,126</u>	<u>\$ 8,880,821</u>	<u>\$ 8,802,011</u>	<u>\$ 9,264,414</u>	<u>\$ 9,167,240</u>	<u>\$ 8,695,239</u>
\$ 824,223	\$ 1,551,247	\$ 1,045,151	\$ 1,344,270	\$ 1,766,522	\$ 2,874,058
8,760,295	7,807,590	6,722,890	6,655,169	4,864,385	10,096,950
3,882,653	3,788,901	3,614,649	4,631,731	5,927,280	5,924,491
933,555	301,100	893,426	791,927	818,046	760,774
<u>\$14,400,726</u>	<u>\$13,448,838</u>	<u>\$12,276,116</u>	<u>\$13,423,097</u>	<u>\$13,376,233</u>	<u>\$19,656,273</u>

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

	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
Property taxes	\$11,227,096	\$10,615,964
TIF revenues	1,113,291	1,293,624
Other taxes	4,610,021	4,763,020
Licenses and permits	526,228	594,809
Intergovernmental	11,920,642	8,771,337
Charges for services	1,098,884	788,428
Fines and forfeitures	73,912	117,261
Use of money and property	1,046,555	747,268
Special assessments	16,569	30,900
Miscellaneous	637,005	591,339
Refunds	34,447	207,873
Total revenues	<u>\$32,304,650</u>	<u>\$28,521,930</u>
<b>Expenditures:</b>		
Public safety	\$ 8,377,479	\$ 8,121,819
Public works	3,398,998	2,879,684
Health and social services	765,063	750,863
Culture and recreation	2,988,797	3,046,106
Community and economic development	7,278,193	1,693,168
General government	2,469,483	2,531,895
Capital projects	13,623,213	16,059,284
Debt service:		
Principal retirement	2,117,833	1,659,835
Interest	955,151	634,734
Contractual	9,669	48,424
Total expenditures	<u>\$41,983,879</u>	<u>\$37,425,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,679,229)</u>	<u>\$ (8,903,882)</u>
<b>Other financing sources (uses):</b>		
Issuance of refunding bonds	\$ -	\$ -
Payment to refunding escrow agent	-	-
Issuance of general obligation bonds	9,108,900	5,485,800
Premium (discount) on bonds issued	25,275	-
Sale of capital assets	-	-
Transfers in	2,655,746	2,537,998
Transfers out	<u>(1,965,495)</u>	<u>(2,178,628)</u>
Total other financing sources (uses)	<u>\$ 9,824,426</u>	<u>\$ 5,845,170</u>
Net change in fund balances	<u>\$ 145,197</u>	<u>\$ (3,058,712)</u>
Debt service as a percentage of noncapital expenditures	<u>10.87%</u>	<u>10.40%</u>

Note: GASB 34 implemented in 2003, therefore, only eight years presented.

*See Accompanying Independent Auditor's Report.*

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 9,991,874	\$ 9,509,937	\$ 8,441,105	\$ 7,764,803	\$ 7,821,949	\$ 7,588,119
1,549,165	1,539,641	1,324,877	1,334,795	1,299,264	1,309,583
5,219,025	4,584,899	4,272,135	3,803,805	5,504,004	4,390,623
589,770	583,098	422,326	752,700	576,466	777,534
7,062,389	7,917,610	9,576,497	11,825,024	6,394,531	5,910,170
673,796	804,962	986,768	715,507	715,657	634,019
88,621	169,377	195,322	228,678	162,745	92,439
1,408,275	1,685,388	994,387	1,305,195	671,163	1,019,077
108,927	43,681	75,497	90,348	253,091	344,207
497,160	860,681	1,127,791	1,078,449	634,460	840,337
72,695	73,281	111,921	87,314	72,811	55,458
<u>\$27,261,697</u>	<u>\$27,772,552</u>	<u>\$27,528,626</u>	<u>\$28,986,618</u>	<u>\$24,106,141</u>	<u>\$22,961,566</u>
\$ 8,339,910	\$ 8,088,949	\$ 7,904,694	\$ 7,396,491	\$ 7,038,308	\$ 6,277,854
3,278,651	3,218,936	2,954,535	2,922,781	3,158,130	3,368,579
805,599	699,620	586,664	638,500	532,232	456,108
2,785,729	2,815,767	2,596,250	2,456,088	2,341,327	2,161,533
1,134,548	1,301,826	3,617,369	2,741,518	3,744,709	3,888,304
2,134,146	2,175,747	2,244,677	2,114,246	1,905,417	2,056,340
7,859,352	8,772,725	8,734,458	11,064,257	9,594,988	7,201,659
1,792,073	1,571,570	1,396,363	1,255,708	2,660,020	1,442,000
530,122	515,464	490,091	486,787	563,568	474,521
50,115	22,100	16,113	26,847	20,261	27,468
<u>\$28,710,245</u>	<u>\$29,182,704</u>	<u>\$30,541,214</u>	<u>\$31,103,223</u>	<u>\$31,558,960</u>	<u>\$27,354,366</u>
<u>\$(1,448,548)</u>	<u>\$(1,410,152)</u>	<u>\$(3,012,588)</u>	<u>\$(2,116,605)</u>	<u>\$(7,452,819)</u>	<u>\$(4,392,800)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 895,000
-	-	-	-	-	(870,385)
2,400,300	2,775,000	1,280,000	2,253,000	1,586,128	6,121,896
(23,422)	(16,317)	-	13,855	-	-
-	-	153,000	-	-	-
1,462,290	1,494,141	1,808,784	1,979,733	8,499,176	1,760,819
(1,697,426)	(1,591,141)	(1,838,580)	(1,985,945)	(8,440,525)	(2,551,856)
<u>\$ 2,141,742</u>	<u>\$ 2,661,683</u>	<u>\$ 1,403,204</u>	<u>\$ 2,260,643</u>	<u>\$ 1,644,779</u>	<u>\$ 5,355,474</u>
<u>\$ 693,194</u>	<u>\$ 1,251,531</u>	<u>\$(1,609,384)</u>	<u>\$ 144,038</u>	<u>\$(5,808,040)</u>	<u>\$ 962,674</u>
<u>10.84%</u>	<u>10.33%</u>	<u>8.56%</u>	<u>9.02%</u>	<u>14.54%</u>	<u>9.51%</u>

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment</u>	<u>Ag Land Taxes</u>	<u>Monies &amp; Credits</u>	<u>Bank Franchise Tax</u>
2010	\$11,227,096	\$1,113,291	\$17,898	\$ 6,034	\$ -
2009	10,595,874	1,293,624	20,090	-	-
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

<u>Fiscal Year</u>	<u>Hotel/Motel Tax</u>	<u>Personal Property Replacement Tax</u>	<u>Utility Property Tax Replacement</u>	<u>Local Option Sales Tax</u>	<u>Total Taxes</u>
2010	\$449,699	\$ -	\$174,130	\$2,460,515	\$15,448,663
2009	439,464	-	186,493	2,458,596	14,994,141
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

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

(2) First year of tax

*See Accompanying Independent Auditor's Report.*

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

Levy Year	Fiscal Year	Assessed Valuation			
		Residential Property	Commercial Property	Industrial Property	Agricultural Property
2009	2010	\$1,075,186,271	\$358,218,056	\$118,180,425	\$10,603,851
2008	2009	1,073,694,584	357,754,516	123,274,907	7,445,461
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

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

Source: City Assessor

*See Accompanying Independent Auditor's Report.*

<u>Utilities</u>	<u>Total</u>	<u>Total Taxable Valuation (1)</u>	<u>Total Direct Tax Rate</u>
\$39,183,481	\$1,601,372,084	\$1,026,972,722	12.73451
38,557,472	1,600,726,940	1,016,064,811	12.80116
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

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

REGULAR DISTRICTS

<u>Fiscal Year</u>	<u>CITY OF MASON CITY</u>			
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Retirement Millage</u>	<u>Total City Millage</u>
2010	8.71062	2.10902	1.91487	12.73451
2009	8.83574	1.52791	2.43751	12.80116
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

Source: Cerro Gordo County Auditor

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

*See Accompanying Independent Auditor's Report.*

<u>CERRO GORDO COUNTY</u>			<u>MASON CITY COMMUNITY SCHOOL DISTRICT</u>				
<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>	<u>Other</u>	<u>Total Millage</u>
5.82555	.46592	6.29147	13.61683	-	13.61683	3.00375	35.64656
5.83059	.48632	6.31691	13.67407	-	13.67407	3.00375	35.79589
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

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

<u>Taxpayer</u>	2010		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Interstate Power Company	\$ 34,905,366	1	2.18%
Golden Grain Energy, Inc.	16,999,167	2	1.06
Lehigh Portland Cement Company	16,986,767	3	1.06
AADG, Inc.	13,911,257	4	0.87
Downtown Mall Associates	11,439,113	5	0.71
Wal-Mart	10,699,151	6	0.67
Mills Fleet Farm	10,651,904	7	0.67
Principal Mutual Life Insurance Co.	9,393,830	8	0.59
Armour Eckrich Meats, LLC	8,265,010	9	0.52
Mason City Shopping Center, Ltd.	7,639,918	10	0.48
General Foods Corporation	-		-
CAG Subsidiary, Inc.	-		-
Northwestern States Cement-Holcim. Inc.	-		-
Curries Manufacturing, Inc.	-		-
Dayton Hudson	-		-
U.S. West (formerly Northwestern Bell)	-		-
<b>Total</b>	<u><u>\$140,891,483</u></u>		<u><u>8.81%</u></u>

Source: City Assessor

*See Accompanying Independent Auditor's Report.*

2001		
<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
\$ 25,582,706	1	2.21%
-		-
19,446,247	2	1.68
-		-
12,082,830	5	1.04
-		-
-		-
8,782,677	6	0.76
-		-
3,648,250	14	0.32
7,676,206	7	0.66
7,188,220	8	0.62
15,716,523	3	1.36
14,333,029	4	1.24
7,120,080	9	0.62
5,596,097	10	0.48
<u>\$127,172,865</u>		<u>10.99%</u>

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

<u>Levy Year</u>	<u>For Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years (1)</u>
			<u>Amount</u>	<u>Percentage of Levy</u>	
2009	2010	\$12,269,045	\$12,103,684	98.65%	\$ -
2008	2009	11,901,194	11,527,693	96.86	618
2007	2008	11,065,910	11,065,192	99.99	718
2006	2007	10,549,474	10,549,374	100.00	100
2005	2006	9,414,330	9,410,684	99.96	946
2004	2005	8,380,157	8,369,822	99.88	984
2003	2004	8,107,644	8,103,729	99.95	2,885
2002	2003	7,745,522	7,642,524	98.67	20,295
2001	2002	7,686,241	7,465,976	97.13	7,753
2000	2001	7,378,494	7,374,652	99.94	3,842

*See Accompanying Independent Auditor's Report.*

<u>Total Collections to Date</u>	
<u>Amount</u>	<u>Percentage of Levy</u>
\$12,103,684	98.65%
11,528,311	96.87
11,065,910	100.00
10,549,474	100.00
9,411,630	99.97
8,370,806	99.89
8,106,614	99.99
7,662,819	98.93
7,473,729	97.24
7,378,494	100.00

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

Fiscal Year	Governmental Activities			
	General Obligation		Special	TIF Revenue
	Bonds	Notes	Assessment Bonds	Bonds
2010	\$21,684,866	\$ 594,958	\$ -	\$1,404,774
2009	14,138,132	884,958	-	1,569,339
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

Fiscal Year	Business-Type Activities			
	General Obligation		Revenue	Capital
	Bonds	Notes	Bonds	Lease
2010	\$6,840,134	\$356,890	\$27,146,278	\$ -
2009	6,236,868	696,052	26,057,827	-
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	-

*See Accompanying Independent Auditor's Report.*

<u>Lease</u>	<u>Settlement Note</u>	<u>Total</u>
\$ -	\$ -	\$23,684,598
-	-	16,592,429
-	-	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

<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$34,343,302	\$58,027,900	5.37%	\$1,989
32,990,747	49,583,176	4.91	1,700
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

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

<u>Levy Year</u>	<u>Population (1)</u>	<u>Taxable Assessed Value (2)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>
2010	29,172	\$1,026,972,722	\$22,279,824	\$ 61,630
2009	29,172	1,016,064,811	15,023,090	267,858
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

<u>Levy Year</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2010	\$22,218,194	2.16%	\$761.63
2009	14,755,232	1.45	505.80
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

## 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, 2010

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City Of Mason City</u>	<u>Amount Applicable To City Of Mason City</u>
Direct:			
City of Mason City (1)	\$23,684,598	100.00%	\$23,684,598
Overlapping (2):			
Mason City Community School District	11,642,789	90.83%	10,575,145
Cerro Gordo County	11,470,000	47.20%	5,413,840
North Iowa Area Community College	1,545,000	-	-
<b>Total</b>	<b><u>\$48,342,387</u></b>		<b><u>\$39,673,583</u></b>

Source: Information provided by individual unit.

- (1) Excluding general obligation debt reported in the Enterprise Funds
- (2) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Mason City. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident—and therefore responsible for repaying the debt—of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

*See Accompanying Independent Auditor's Report.*

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt limit	\$80,068,604	\$80,036,347	\$77,926,623	\$74,094,419
Total net debt applicable to limit	<u>30,524,732</u>	<u>23,206,321</u>	<u>15,643,215</u>	<u>15,926,646</u>
Legal debt margin	<u>\$49,543,872</u>	<u>\$56,830,026</u>	<u>\$62,283,408</u>	<u>\$58,167,773</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>38.12%</u>	<u>28.99%</u>	<u>20.07%</u>	<u>21.50%</u>

Legal Debt Margin Calculation for Fiscal Year 2010

Actual assessed valuation:	
Real property	\$1,562,188,603
Utilities	<u>39,183,481</u>
Total actual assessed valuation	<u>\$1,601,372,084</u>
Debt limit - 5% of actual valuation	\$ 80,068,604
Total net debt applicable to limit	<u>30,524,732</u>
Legal debt margin	<u>\$ 49,543,872</u>

*See Accompanying Independent Auditor's Report.*

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$67,487,614	\$67,400,322	\$66,048,766	\$56,120,090	\$60,538,444	\$57,844,063
<u>15,111,754</u>	<u>13,751,129</u>	<u>10,361,213</u>	<u>11,483,043</u>	<u>4,850,000</u>	<u>6,135,000</u>
<u>\$52,375,860</u>	<u>\$53,649,193</u>	<u>\$55,687,553</u>	<u>\$44,637,047</u>	<u>\$55,688,444</u>	<u>\$51,709,063</u>
<u>22.39%</u>	<u>20.40%</u>	<u>15.69%</u>	<u>20.46%</u>	<u>8.01%</u>	<u>10.61%</u>

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

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
2010	\$4,405,338	\$2,014,228	\$2,391,110
2009	4,442,190	1,908,966	2,533,224
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

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2010	\$867,000	\$413,322	\$1,280,322	1.86
2009	690,000	169,170	859,170	2.95
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

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

See Accompanying Independent Auditor's Report.

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

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
2010	\$5,171,917	\$3,315,053	\$1,856,864
2009	4,950,216	3,145,518	1,804,698
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

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2010	\$ 940,000	\$461,453	\$1,401,453	1.32
2009	915,000	491,288	1,406,288	1.28
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

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

*See Accompanying Independent Auditor's Report.*

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2010	29,172	\$1,080,618	\$37,043	42.10	3,909	7.9
2009	29,172	1,010,401	34,636	42.40	3,649	5.4
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

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

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>2010</u>		<u>Percent of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Mercy Medical Center - North IA	2,600	1	16.86%
Curries Manufacturing Company	993	2	6.44
Mason City Community School District	556	3	3.61
Principal Life Insurance Co.	550	4	3.57
Hy-Vee Food Stores	530	5	3.44
Kraft Foods	450	6	2.92
Woodharbor Molding & Millwork	400	7	2.59
Wal-Mart Stores	373	8	2.42
Good Shepherd Geriatric Center	300	9	1.95
Armour Eckrich Meats, LLC	270	10	1.75
Total	<u>7,022</u>		<u>45.55%</u>

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

(1) Information not available

*See Accompanying Independent Auditor's Report.*

2001		
<u>Employees</u> (1)	<u>Rank</u>	<u>Percent of Total City Employment</u> (1)
-	1	-
-	2	-
-	-	-
-	4	-
-	3	-
-	-	-
-	6	-
-	8	-
-	10	-
-	12	-
<u>-</u>		<u>-</u>
<u>-</u>		<u>-</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public safety:					
Police - sworn	48	48	45	48	50
Police - civilian	5	2	4	10	9
Fire - sworn	44	44	44	44	44
Fire - civilian	2	2	2	2	1
Building inspection	3	3	3	3	3
Plumbing/electrical inspection	2	1	2	2	2
Public works:					
Airport	5	5	5	5	6
Street	20	22	21	21	21
Arborist	1	1	1	1	1
Engineer	7	7	7	5	7
Health and social services:					
Youth Task Force	4	5	4	4	3
Health	1	1	1	1	1
Human Rights	3	3	2	2	2
Culture and recreation:					
Parks	6	6	7	7	7
Recreation	3	4	4	4	4
Library	14	15	15	14	14
Museum	7	7	7	7	6
Community and economic development:					
Neighborhood Services	2	2	2	3	3
Growth Development and Planning	3	3	3	1	3
Transit	17	17	14	15	14
General government:					
Administrator	2	2	2	2	2
Mayor	-	-	-	-	-
Finance	11	11	11	8	7
Clerk	1	2	2	2	3
City Hall	1	1	1	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	19	18	19	22	21
Sewer	16	16	16	17	17
Sanitation	12	11	12	12	12
Cemetery	3	3	3	3	3
Golf course	2	2	2	1	2
Total	<u>266</u>	<u>266</u>	<u>263</u>	<u>269</u>	<u>277</u>

*See Accompanying Independent Auditor's Report.*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
47	49	47	45	43
15	12	12	13	15
44	43	36	34	34
1	1	1	1	1
3	3	3	3	3
2	2	2	2	2
5	4	4	5	5
20	20	21	20	19
1	1	1	1	1
7	6	8	8	8
3	3	3	3	3
1	1	1	1	1
2	2	2	2	2
7	7	6	7	7
4	4	4	4	4
13	13	13	13	14
5	6	6	6	6
3	1	3	-	-
4	4	4	3	3
14	17	17	17	17
2	2	2	1	1
-	1	1	1	1
7	5	5	5	5
3	3	3	3	3
1	1	1	1	1
2	2	2	2	2
22	19	21	21	21
17	16	17	17	17
12	12	11	12	12
3	3	3	3	3
<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>277</u>	<u>274</u>	<u>267</u>	<u>261</u>	<u>259</u>

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

<u>Function</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Police:					
Physical arrests	2,295	4,129	3,049	3,373	3,309
Parking violations	4,161	5,885	7,560	4,328	3,870
Traffic violations	2,043	3,117	5,952	6,502	4,463
Fire:					
Fire calls answered	731	762	766	746	779
Ambulance calls answered	3,755	3,912	4,032	4,138	4,374
Inspections	1,411	1,216	1,025	600	373
Highways and streets:					
Street resurfacing (miles)	2.40	2.60	3.04	5.59	4.22
Potholes repaired	5,300	5,000	5,000	5,000	5,000
Sanitation:					
Refuse collected (tons/day)	32.6	27.5	35.52	32.09	31.44
Recyclables collected (tons/day)	4.86	5.5	5.5	5.5	5.7
Culture and recreation:					
Aquatic Center admissions	33,616	39,074	39,726	51,751	54,997
Water:					
New connections	15	21	3	15	10
Water main breaks	17	11	10	11	8
Average daily consumption (thousands of gallons)	5,324	5,865	5,673	5,784	5,819
Wastewater:					
Average daily sewage treatment (thousands of gallons)	6,689	6,658	7,421	7,040	6,637

*See Accompanying Independent Auditor's Report.*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
3,551	3,362	3,190	3,247	2,773
4,041	5,827	6,180	7,089	9,130
2,686	3,478	2,990	3,928	3,348
772	842	1,070	1,096	1,168
3,420	310	-	-	-
781	673	1,097	2,004	1,560
3.41	2.71	2.24	3.93	0.91
5,000	5,000	5,000	5,000	5,000
32.8	33.55	31.64	31.2	29.8
5.9	5.87	5.88	5.83	5.9
58,951	42,484	75,846	25,929	34,561
1	8	7	7	6
10	14	17	10	12
5,869	5,571	4,964	5,003	4,946
6,618	5,433	5,832	5,127	7,208

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

<u>Function</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	152.33	152.06	151.93	151.93	151.69
Unpaved	41.12	41.12	41.12	41.12	41.12
Street lights	1,761	1,760	1,760	1,760	1,750
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	48.13	47.95	47.95	47.95	46.91
Sanitary	164.53	164.31	164.31	160.92	159.84
Cemetery:					
Facilities	2	1	1	1	1
Acreage	100	120	120	120	120

*See Accompanying Independent Auditor's Report.*

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
1	1	1	1	1
1	1	1	1	1
150.78	148.12	148.12	148.12	147.70
41.12	41.80	41.80	41.80	42.12
1,744	1,714	1,714	1,694	1,692
41	41	41	40	39
639	639	639	580	550
12	12	12	12	13
12	12	12	13	12
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
46.44	46.26	46.26	46.32	46.26
159.05	158.30	158.30	158.36	158.30
1	1	1	1	1
100	100	100	100	100

**COMPLIANCE  
SECTION**

# Douglas E. Kronlage

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, the discretely presented component unit, 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, 2010, which collectively comprise the City of Mason City's basic financial statements and have issued my report thereon dated December 29, 2010. 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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies 10-II-A and 10-II-B, described in the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses.

Compliance and Other Matters

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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 10-III-B and 10-III-C.

I noted certain matters that I reported to management of the City of Mason City, Iowa, in a separate letter dated December 29, 2010.

The City of Mason City's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the City's responses and, accordingly, I express no opinion on them.

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.

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.



December 29, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

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, 2010. The City's major federal programs are identified in the summary of the independent 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 compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2010. However, the results of my auditing procedures disclosed instances of noncompliance with these compliance requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 10-III-B and 10-III-C.

### Internal Control Over Compliance

The management of the City of Mason City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 over compliance that might be significant deficiencies or material weaknesses in internal control over compliance and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified a certain deficiency in internal control over compliance that I consider to be a material weakness and other deficiencies that I consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-III-A to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-III-B and 10-III-C to be significant deficiencies.

The City of Mason City's responses to the findings identified in my audit are 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 the responses.

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.



December 29, 2010

CITY OF MASON CITY, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
<b>DIRECT:</b>			
<u>Department of Housing and Urban Development</u>			
Fair Housing Assistance Program - State and Local			
Contributions and Training	14.401	FF207K107002	\$ -
Contributions and Training	14.401	FF207K097002	33,375
Total			<u>\$ 33,375</u>
<u>Department of Justice</u>			
Bullet Proof Vest Program	16.607	2009	\$ 3,298
Public Safety Partnership and Community Policing Grants:			
COPS - Secure Our Schools	16.710	2009-CK-WX-0097	19,822
Edward Byrne Justice Assistance Grant	16.738	2009-DJ-BX-0228	13,217
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Granted to Units of Local Government	16.804	2009-SB-B9-1946	12,022
Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	2009-SB-B9-0004	23,095
Total			<u>\$ 71,454</u>
<u>Department of Transportation</u>			
Airport Improvement Program	20.106	3-19-0059-24-2005	\$(74,381)
Airport Improvement Program	20.106	3-19-0059-26-2006	-
Airport Improvement Program	20.106	3-19-0059-28-2007	29,849
Airport Improvement Program	20.106	3-19-0059-29-2007	(1,923)
Airport Improvement Program	20.106	3-19-0059-30-2008	1,594
Airport Improvement Program	20.106	3-19-0059-31-2008	-
Airport Improvement Program	20.106	3-19-0059-32-2009	69,472
Airport Improvement Program	20.106	3-19-0059-33-2009	-
Passenger Facility Charge			36,402
Total			<u>\$ 61,013</u>
<u>Environmental Protection Agency</u>			
Congressionally Mandated Projects	66.202	XP-98782501	\$ -
Congressionally Mandated Projects	66.202	XP-97702101	206,190
Total			<u>\$206,190</u>
<u>Department of Health and Human Services</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1 H79 SP015490-01	\$ 18,819
Projects of Regional and National Significance	93.243	1 H79 SP015490-02	19,079
Drug Free Communities Support Program	93.276	5 H79 SP011332-10	32,146
Total			<u>\$ 70,044</u>
<u>Department of Homeland Security</u>			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR204	\$ 15,940
Total direct			<u>\$458,016</u>

(continued)

CITY OF MASON CITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
<b>INDIRECT:</b>			
Department of Housing and Urban Development:			
<u>Iowa Department of Economic Development</u>			
Community Development Block Grant/ State Program			
Owner Occupied Housing Rehab	14.228	08-HSG-061	\$ 123,153
Disaster Recovery Infrastructure	14.228	08-DRMI-002	11,459
Disaster Recovery Infrastructure	14.228	08-DRMI-003	6,095
Hazard Mitigation Grant Program Match for Property Acquisition			
Flood Buyout #1	14.228	08-DRMH-031	2,908
Flood Buyout #2	14.228	08-DRMH-032	6,385
Flood Buyout #3	14.228	08-DRMH-047	503,865
Flood Buyout #4	14.228	08-DRMH-037	886,460
Home Investment Partnership Program	14.239	07-HM-110-69	64,510
Total			<u>\$1,604,835</u>
Department of Justice:			
<u>Governor's Office of Drug Control Policy</u>			
Public Safety Partnership and Community Policing			
	16.710	08-HOTSPOTS-12	\$ 9,306
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	07JAG-C03	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program			
	16.803	09JAG/ARRA-249	44,752
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	08JAG/CO6-A17	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program			
	16.803	09JAG/ARRA-270	27,237
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program			
	16.803	09JAG/ARRA-287	20,534
Total			<u>\$ 101,829</u>
<u>Iowa Department of Justice</u>			
Federal Violence Against Women Formula Grant			
	16.588	VW-10-46	\$ 16,470
Recovery Federal Violence Against Women Formula Grant			
	16.588	VWS-10-46	21,926
Federal Violence Against Women Formula Grant			
	16.588	VW-09-46	-
Total			<u>\$ 38,396</u>
Total			<u>\$ 140,225</u>

(continued)

CITY OF MASON CITY, IOWA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
<b>INDIRECT:</b>			
Department of Transportation:			
<u>Iowa Department of Transportation</u>			
Highway Planning and Construction			
Transportation Enhancement	20.205	03-STPE-126	\$ 136,819
Safe Routes to Schools	20.205	07-SRTS-008	741
ICAAP - 19 <sup>th</sup> Street Overpass	20.205	2-07-ICAAP-006	1,214,138
19 <sup>th</sup> Street Overpass Approach	20.205	02-08-HDP-015	-
Federal Transit - Capital Investment Grant			
Capital Assistance	20.500	04-0113-482-08	12,606
Formula Grants for Other than Urbanized Areas			
Capital Assistance	20.509	18-0028-482-07	-
Operating Assistance	20.509	18-0028-482-10	312,625
Operating Assistance	20.509	18-0028-482-09	-
ARRA - Capital Assistance	20.509	86-0001-482-09	209,667
Total			<u>\$1,886,596</u>
 <u>Iowa Department of Public Safety</u>			
<u>Governor's Traffic Safety Bureau</u>			
State and Community Highway Safety			
Police Traffic Services	20.600	PAP-10-02	\$ 11,431
Police Traffic Services	20.600	PAP-09-04	1,425
Total			<u>\$ 12,856</u>
Total			<u>\$1,899,452</u>
 National Endowment for the Arts:			
<u>Iowa Arts Council</u>			
Promotion of the Arts - Partnership			
Agreements			
Operating Support	45.025	2010-7576	\$ 14,400
 Environmental Protection Agency:			
<u>Iowa Finance Authority</u>			
Capitalization Grants for Clean			
Water State Revolving Funds	66.458	PDCW0666	\$ 81,106
 Department of Education:			
<u>Iowa Department of Public Health</u>			
Safe and Drug Free Schools and			
Communities - State Grants	84.186	5880DV09	\$ 54,937
Safe and Drug Free Schools and			
Communities - State Grants	84.186	5889DV09	-
Total			<u>\$ 54,937</u>
 <u>Governor's Office of Drug Control Policy</u>			
Safe and Drug Free Schools and			
Communities - National Programs	84.184	09-IHE-01	\$ 12,974
Total			<u>\$ 67,911</u>

(continued)

CITY OF MASON CITY, IOWA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
Department of Homeland Security:			
<u>Iowa Homeland Security and Emergency</u>			
<u>Management Division</u>			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	DR #1763	\$ 92,730
Hazard Mitigation Grant	97.039	HMGP-DR-1763- 0032-01	8,724
Hazard Mitigation Grant	97.039	HMGP-DR-1763- 0031-01	19,154
Hazard Mitigation Grant	97.039	HMGP-DR-1763- 0037-01	2,659,381
Hazard Mitigation Grant	97.039	HMGP-DR-1763- 0047-01	1,511,596
Hazard Mitigation Grant	97.039	HMGP-DR-1703- 0061-01	57,295
Hazard Mitigation Grant	97.039	HMGP-DR-1763- 0062-01	30,475
Predisaster Mitigation	97.047	PDMC-PJ-07-IA- 2007-0050	14,218
Total			<u>\$4,393,573</u>
Total indirect			<u>\$8,201,502</u>
Total expenditures of federal awards			<u>\$8,659,518</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS  
 YEAR ENDED JUNE 30, 2010

<u>Grantor/Program</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Iowa Department of Transportation:		
Commercial Air Service Vertical Infrastructure Program	10477	\$ 97,459
Commercial Air Service Vertical Infrastructure Program	11383	<u>60,474</u>
Total Expenditures for State Awards		<u>\$157,933</u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2010

(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	\$1,663,565	\$ 518,553	\$ -	\$ 2,182,118
Special Revenue Funds:				
ADDI	-	64,510	-	64,510
Road Use Tax	209,969	59,503	-	269,472
City Administered Grants	174,801	-	-	174,801
Housing	122,833	-	-	122,833
HMGP	-	5,597,992	-	5,597,992
Capital Project Funds:				
19 <sup>th</sup> Street SW Overpass	-	1,214,138	-	1,214,138
Local Option Capital Improvements	-	207,933	-	207,933
Enterprise Funds:				
Water	138,566	-	-	138,566
Sewer	69,302	206,190	81,106	356,598
Solid Waste	(19,555)	-	-	(19,555)
	<u>\$2,359,481</u>	<u>\$7,868,819</u>	<u>\$81,106</u>	<u>\$10,309,406</u>

(4) Relationship to Federal Financial Reports

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

CITY OF MASON CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

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 material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (d) One significant deficiency in internal control over a major federal program during the audit is reported. The deficiency is not reported as a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of the City's major programs.
- (f) The audit disclosed audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The programs tested as the major programs are:
  - CFDA Number 14.228 - Community Development Block Grants
  - CFDA Number 20.205 - Highway Planning and Construction
  - CFDA Number 20.509 - Formula Grants for Other than Urbanized Areas
  - CFDA Number 66.458 - Capitalization Grants for Clean Water State Revolving Funds
  - CFDA Number 97.039 - Hazard Mitigation Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) 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.

**MATERIAL WEAKNESSES:**

10-II-A 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, 2010, they recognized over \$2,206,000 of accounts and contracts payable, including approximately \$103,000 (not material to any opinion unit) incorrectly recorded as payables. However, they did not recognize an additional \$542,000 (material to two opinion units) of mostly contracts payable at June 30, 2010.

Recommendation - This is a significant improvement over previous years. The interns should be further 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

CITY OF MASON CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

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

INSTANCES OF NONCOMPLIANCE:

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.

10-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 - There has been significant improvement in the initial determination of the financial statement classifications and amounts 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:

ALL GRANTS:

10-III-A See items 10-II-A and 10-II-B above.

Questioned  
Costs

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

DEPARTMENT OF TRANSPORTATION:

10-III-B Formula Grants for Other than Urbanized Areas - CFDA #20.509; Grant 18-0029-482-10, Contract 11312; Grant period year ended June 30, 2010

Condition - The City overstated transit system operating expenses in preparing its reimbursement request to the Iowa Department of Transportation.

CITY OF MASON CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards: (continued)

Questioned  
Costs

Criteria - Only actual expenses related to the operation of the transit system are allowed in the reimbursement calculation.

Cause - The individual preparing the reimbursement request believes that a transposition of numbers and changes to expenses received from a third party resulted in the overstatement.

Effect - The City received more reimbursement under the grant than they were entitled to receive.

Context - The overstatement of grant reimbursements is approximately \$20,000. The City received \$335,971 as reimbursement from this grant during the fiscal year.

\$20,000

Recommendation - The City should develop a system to more formally track the costs from inside the City and from its outside partner.

Views of Responsible Officials and Planned Corrective Actions - The City agrees with the finding. The individual responsible for preparing the reimbursement requests is developing an improved system for capturing the correct amounts.

FINDINGS AND QUESTIONED COSTS - NON-MAJOR FEDERAL AWARD PROGRAMS AUDIT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES:

10-III-C Substance Abuse and Mental Health Services - Projects of Regional and National Significance - CFDA #92.243; Grant 1 H79 SP015490-02; Grant Period - Year ended September 30, 2010.

Condition - The individual preparing the Federal Cash Transaction Report submitted expenditure information from a different grant for the January - March, 2010 reporting period.

Criteria - Information from the correct grant should be submitted in the report.

Cause - The individual preparing the report selected the wrong grant from the accounting software. The department has several grants with similar names. In addition, the individual is a new employee with only limited experience in preparing grant reporting information.

Effect - An additional \$18,179 of expenditures was entered into the Federal Cash Transaction Report showing a lower cash balance for this grant than was actually the case.

CITY OF MASON CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards: (continued)

Questioned  
Costs

Context - The Federal Cash Transaction Report was not correct, but this did not result in any questioned costs. The submission of grant costs is performed through a different system. None of the expenditures shown on any of the Federal Cash Transaction Reports for this grant were submitted for reimbursement. The individual responsible for preparing the reports was new and had not been adequately instructed in preparing reimbursement requests for this grant. She did not realize there was another electronic reporting system for submitting reimbursement requests. She thought she was submitting reimbursement requests using the Federal Cash Transaction Reporting system.

Recommendation - Each grant manager should develop an operations manual and checklist explaining the process to be performed and from where the information is to be gathered. The manual should be aimed at providing step-by-step instructions for a new person or a backup to accurately maintain the reporting process. Information should be closely reviewed by a supervisor knowledgeable of the grant prior to the information being submitted to the reporting agency.

Views of Responsible Officials and Corrective Actions - Supervisors are more closely reviewing the submission of grant expenditures. A form of checklist will be developed for each different agency to whom reports are submitted.

Part IV: Other Findings Related to Required Statutory Reporting:

10-IV-A Official Depositories - A resolution naming official depositories has been adopted by the City Council. However, it was noted that two depositories were omitted from the resolution.

Recommendation - The City should review the depository resolution at least annually to ensure that all City depositories are included in the adopted depository resolutions.

Response - This was an oversight in the January, 2009 annual review. An updated depository resolution has been passed and approved on October 6, 2009.

Conclusion - Response accepted.

10-IV-B Certified Budget - Disbursements during the year ended June 30, 2010, did not exceed the amounts budgeted.

10-IV-C 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.

CITY OF MASON CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

10-IV-D Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

10-IV-E Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Diana Black, City Clerk	Artist services	\$ 21
Cynthia Connor, Environmental Stewardship Advisory Commission	Reimbursement	21
Scot Wright, Plumbing Appeals & Exam Board	Professional services	25
Carol Patnode, Environmental Stewardship Advisory Commission	Supplies	33
Dr. Rene Recinos, MacNider Museum Board	Music/band	100
Sheila Stoeckel, Human Rights Commission	Conference travel	136
Amy Simpson, Youth Task Force	Transcriptions	164
Melissa Weiner, Human Rights Grants	Professional services	185
Jenny Thada, Cemetery Board	Ground maintenance	234
Peggy Cornick, MacNider Museum Board	Instructor fee	360
Paul Micich, MacNider Museum Board	Performance fee	400
Dan Linahon, Electrical Appeals Board - partner, Linahon Electric	Electrical services	454
Eric Bookmeyer, Mayor	Conference and travel	489
Dennis Wilson, Housing Advisory & Appeals Board	457 Train	592
Don Lee, River City TREES	Tilling	660
Jay Leaman, Electrical Appeals Board - owner, The Electricians	Electrical services	720
Matt Dodge, Civil Service Commission - agent, State Farm Insurance	Professional services	725

CITY OF MASON CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
John Pappas, River City TREES - owner, Pappas Landscaping	Grounds maintenance	\$ 785
Dave Hopper, River City TREES - owner, Natural Plus	Trees & landscaping	865
Kitty Clasing, Environmental Stewardship Advisory Committee	Reimbursement	900
Craig MacDougall, Plumbing Examiners Board - owner, Hank's Plumbing	Plumbing repairs	1,157
Mary Hardin, River City TREES - owner, Blackmore Nursery	Landscaping	1,318
Jessica Prazak, Youth Task Force	Subcontracting	1,433
Craig Gray, Plumbing Examiners Board - owner, Gray's Plumbing	Plumbing repairs	1,486
Daniel Moorehead, Electrical Appeals Board - owner, Moorehead Electric	Electrical repairs	3,223
Steve Clausen, Plumbing Examiners Board - owner, Clausen Plumbing	Plumbing repairs and supplies	4,416
Dana Young, Economic Development Corporation Board - administrator Mason City Clinic	Medical services	6,074
Kris Kramer, Enterprise Zone Commission - owner, Kramer Ace Hardware	Parts & supplies	7,509
Scott Brown, MacNider Museum Board - partner, Brown, Kensey & Funkhouser	Legal services	8,338
John Jaszewski, City Council - owner, Jay Square Videography	Services & supplies	10,491
Tom Douglas, Housing Advisory & Appeals Board - agent, Edwards Brandt and Associates	Insurance	25,011
Tom Hovland, Airport Commission - owner, Tom Hovland Enterprises	Automotive supplies	25,865
Doug Wiltsie, Electrical Examiners Board - vice-president, Blazek Electric	Electrical supplies and services	27,155

CITY OF MASON CITY, IOWA  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jacquelyn Arthur, Economic Development Corporation Board - partner, Heiny, McManigal, et.al. Law Firm	Legal services	\$ 42,364
Larry Elwood, Plumbing Appeals Board and Enterprise Zone Commission - owner, Larry Elwood Construction	Construction services	129,635
Terry McCarthy, Human Rights Commission, and Monte Applegate, Park and Recreation Board members - partners, Yaggy Colby Associates	Engineering services	150,897
George Jessen, Zoning Board of Adjustment - owner, Heartland Asphalt	Road construction	446,617
Kevin Pals, Youth Task Force, Sheriff - Cerro Gordo County	28E Agreement	538,735
Fouad Daoud, Building Advisory and Appeals Board - partner, WHKS and Co.	Engineering services	1,011,092

In accordance with Chapter 362.5(10) of the Code of Iowa, the first twenty-four 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, WHKS and Co., Heartland Asphalt, Blazek Electric, Gray's Plumbing, Moorehead Electric, Clausen Plumbing and Edwards Brandt and Associates 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.

10-IV-F 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.

CITY OF MASON CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

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

Conclusion - Response accepted.

10-IV-G 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.

10-IV-H 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, except as noted at 10-IV-A.

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

10-IV-J 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 made to the water distribution system. All of the construction and testing were completed prior to the 2010 fiscal year. During FYE 2007, 2008, 2009 and 2010, records maintained by the water distribution supervisor and the water billing department show that only 60%, 63%, 59% and 53% of the water pumped from 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 19% 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. We will track city-owned facilities' usage not being billed to determine how much it affects the percentage.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA  
 Corrective Action Plan for Federal Audit Findings  
 Year Ended June 30, 2010

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Planned</u>	<u>Contact Person Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
10-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	June 30, 2011
10-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	June 30, 2011
10-III-A	See items 10-II-A and 10-II-B above			
10-III-B	Overstatement of transit operating expenses	We will review our process to accumulate the information and provide accurate reporting.	Pat Otto Director of Transit Services 641-421-3616	April 30, 2011
10-III-C	Incorrect cash transaction submission	Supervisor will more closely review submissions prior to processing. A checklist will be developed.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2011

CITY OF MASON CITY, IOWA  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010

FINANCIAL STATEMENTS

Finding 09-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.

Finding 09-II-B: Financial Statement Classification and Valuation

Condition - Material adjusting journal entries were required to properly classify and value financial statement amounts.

Recommendation - Additional instruction and supervision of the interns by the Director of Finance would reduce the number and amount of misstatements.

Current Status - Additional oversight was provided this year, but additional supervision and oversight is required.

# Douglas E. Kronlage

Certified Public Accountant  
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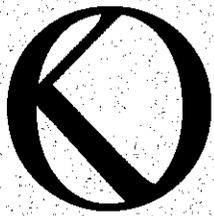
## CERTIFICATION OF CONTRACTING OPPORTUNITIES

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*

December 29, 2010



# Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA  
John C. Olson, CPA

December 29, 2010

Mr. Kevin Jacobson  
City of Mason City  
10 1<sup>st</sup> Street NW  
Mason City, IA 50401

Dear Mr. Jacobson:

I have performed the audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mason City as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America. I considered the City of Mason City's internal control over financial reporting (internal control) 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's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control. I noted deficiencies in internal control I consider to be material weaknesses in the compliance section of the June 30, 2010 CAFR. I noted additional deficiencies in internal control that you will want to review and develop the necessary procedures to alleviate these issues in the future. These deficiencies are described in the following paragraphs.

Inventory at the golf course was incorrectly stated in the initial count of the concession area. This appears to have been caused by the golf course manager and concession manager being unfamiliar with the operations of the inventory system, with no operating manuals on-hand and no effort made to obtain the manuals. The inventory reports were reporting negative inventory on-hand with incorrect retail prices listed per item. Managers need to obtain operational manuals, or receive specialized training, to understand the inventory system and determine reasons for errors in the inventory reports. This is needed to accurately report the inventory at the end of the fiscal year, as well as inventory at any point of time during the year.

On May 27, 2010, payment was authorized by the police department supervisor prior to the June 25, 2010 receipt of the bullet proof vests. Per City purchasing policy, payment for goods or services is to be approved only after receipt of the goods or services. This is a violation of the City policy. The City purchasing policy should be reviewed for any changes necessary and all city department managers need to be reminded that it is improper to pay for items that were not received. This is management override of existing policies and points to a weakness in the control structure.

A new individual took over the responsibilities for grant financial reporting during the fiscal year for the Youth Task Force (YTF). This individual and her supervisor did not recognize that YTF was not receiving reimbursements for the correct amount of reimbursement on a state grant. An error occurred early in the grant and it was assumed that the available funds had been drawn down when in actuality they had not drawn over \$4,000 of eligible reimbursement. This money is uncollectible due to the expiration of the grant period. A system needs to be developed where grant reimbursable expenses are reconciled to reimbursement requests prior to the closing of the grant.

117 N. Jackson Street, Charles City, IA 50616-2036

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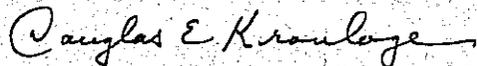
The Honorable Mayor and Members of City Council  
December 29, 2010  
Page 2

Police department evidence procedures were discussed and documented through discussions with Captain Bengston and evidence technician Tammy Orr. No testing of procedures was performed. Evidence storage procedures should be strengthened in the future. Evidence is initially stored in an area of the garage accessible by all employees of the police department on a daily basis. Permanent evidence storage is in a locked room in the basement of the police station. Access to the room requires only one person but several individuals have keys for access. Access is therefore not strictly controlled. I would suggest that only one individual is authorized access or access requires two individuals.

This letter is intended solely for the information and use by the City governing board and others within the organization, is not intended to be, and should not be used by anyone other than these specified parties.

If you have any questions regarding the above information, please contact me at your convenience.

Sincerely yours,



Douglas E. Kronlage, CPA