FEDERAL AVENUE

STREETSCAPE

CITY OF MASON CITY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

INTRODUCTORY SECTION

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

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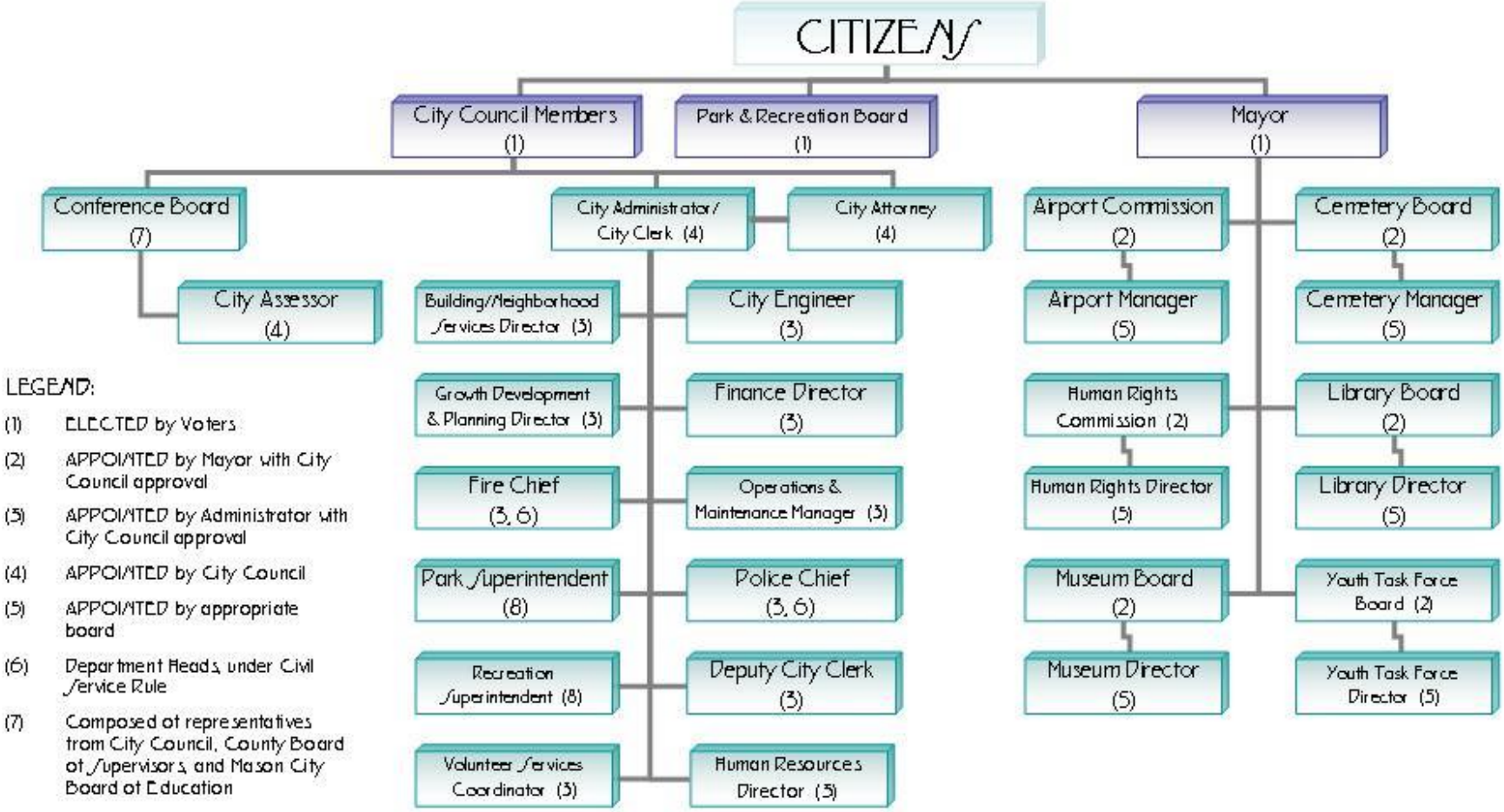
CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2013

Name	Title	Term Expires
Eric Bookmeyer	Mayor	2014
Scott Tornquist	Mayor Pro-Tem	2014
John Lee	Council Member	2016
Jean Marinos	Council Member	2016
Alex Kuhn	Council Member	2016
Travis Hickey	Council Member	2014
Janet Solberg	Council Member	2014
Brent Trout	City Administrator/Clerk	2013
Mark Rahm	Public Works Director	2013
Kevin Jacobson	Director of Finance/Treasurer	2013
Mark Young	City Attorney, Magistrate	2013
Randy Nielsen	City Attorney, Civil Law	2013
James Locher	Airport Attorney	2013
Perry Buffington	Human Resources Manager	2013
Michael Lashbrook	Police Chief	2013
Robert Platts	Fire Chief	2013
Steven Van Steenhuyse	Growth Development and Planning Director	2013
William Stangler	Operations and Maintenance Manager	2013
William Stangler	Parks Manager	2013
Brian Pauley	Recreation Manager	2013
Pam Osgood	Airport Manager	2013
Edith Blanchard	MacNider Museum Director	2013
Mary Markwalter	Library Director	2013
Randy Opheim	Elmwood Cemetery Manager	2013
Lionel Foster	Human Rights Director	2013

City of Mason City



LEGEND:

(1) ELECTED by Voters

(2) APPOINTED by Mayor with City Council approval

(3) APPOINTED by Administrator with City Council approval

(4) APPOINTED by City Council

(5) APPOINTED by appropriate board

(6) Department Heads, under Civil Service Rule

(7) Composed of representatives from City Council, County Board of Supervisors, and Mason City Board of Education

(8) APPOINTED by Administrator with Park Board approval

10 First Street Northwest
Mason City, IA 50401-3224
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December 31, 2013

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, 2013 (FY13) 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, 2012. 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, 2013, 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. Twelve departments are under the direction of the City Administrator. The City Attorney is a contracted position under the direction of the City Administrator. Six departments are under the direction of a board or commission. The Mayor and Council appoint members of the Airport, Human Rights Commission, and Youth Task Force Commissions and the Library, Cemetery and Museum Boards.

AN EQUAL OPPORTUNITY EMPLOYER

Departments include City Clerk, Growth Development and Planning, Engineering, Finance, Fire, Human Resources, Operations and Maintenance, Parks, Recreation, Police and Volunteer Services. 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 Development Services 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. Development activities are focused on both downtown and the community's industrial parks. The June 8, 2008 flood event in the community continues - 5 years later - to focus much of the department's efforts on residential property buyouts and demolition activities. A Buyout Administrator coordinates this effort. A total of 169 houses have been purchased and either demolished, moved, or are awaiting demolition or moving; the land will become permanent public open space. Habitat for Humanity has partnered with the City to salvage materials from the houses for resale. Fortunately, the business and industrial areas of the community suffered limited flood losses.

The City continues to work with the North Iowa Corridor Economic Development Corporation (NICEDC), to promote and facilitate job creation and capital investment in the Mason City area. The NICEDC is a 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.

NICEDC is partially funded by the City to serve as the City's economic development marketing and recruitment arm. They provide information and support to prospective employers, maintain a database of available buildings and sites in a seven-county region and partner with numerous local, regional, state and national organizations to market and recruit business to North Iowa. Key industries targeted by NICEDC are wind energy, warehousing and value-added agriculture and food processing.

Accomplishments for the past fiscal year include:

- Web presence enhanced and expanded, including launch of a new and interactive website.
- Promoted industrial park initiatives along the Avenue of the Saints and I-35 corridor.
- Hosted IEDA-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages.
- Led the effort to revisit a 1999 corridor study regarding land use and economic opportunities along Hwy 122 between Mason City and Clear Lake; this culminated in a Memorandum of Understanding between the two cities and Cerro Gordo County that preserves development opportunities along the corridor.

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 north central Iowa.

EXPANDED AND NEW INDUSTRIES 7/1/12 – 6/30/13

The valuation of expanded industrial development totaled approximately $12,755,297 while new or expanded commercial and industrial development together totaled $48,637,516 (these figures are based on construction value used to calculate permit fees). The Assa Abloy Door Group, Metalcraft Corporation, Croell RediMix and the Golden Grain Energy expansion projects were the front-runners for industrial development. The commercial sector experienced development of a major dental surgery clinic valued at $2.08 million and two new structures: a two-unit commercial center (now containing Panchero's/All Eyes Optical) and a 3-unit commercial strip (now containing Orange Leaf Frozen Yogurt, Kay Jewelers and a third tenant to be determined). In addition, over 50 expansions, remodeling or improvement projects were completed. Major developments in our commercial sector include a new energy center and loading dock for Mercy – North Iowa Medical Center(valued at $1,172,000) and an additional 52,716 square feet of commercial space in the Willow Creek Commons (Kohl's) Shopping Center (including a new Marshall's retail store)

Other commercial and industrial ventures, such as the Canadian Pacific and Union Pacific railroads and Casey's General Stores, also constructed new facilities or engaged in additions 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. Also, renovations to Mason City High School were completed, totaling $300,000.

DOWNTOWN

The City has continued to work with Main Street Mason City (MSMC) to stabilize and enhance the Downtown area. The Federal Avenue Streetscape project, completed in 2012, continues to serve as a catalyst for downtown redevelopment. In 2013, the Downtown Façade Rehabilitation Program was begun, with several facades completed by the end of the year. This program, funded with a $500,000 CDBG grant, is being used to rehabilitate 11 historic facades in the downtown area and has leveraged an additional $5,000,000 in private funding from local banks for downtown development. The façade renovations are currently underway and are expected to be completed by the end of the 2013 calendar year. As a part of CDBG grant, MSMC also assists the City in management of a $150,000 low-interest revolving loan fund for building improvements in the downtown TIF district.

The MSMC organization and its many volunteers provide a program that includes business improvement, organizational development, promotions/events/marketing and design (appearance) improvements in the downtown, including the following:

- Over $1,560,000 in private investment in 3 structures was tracked in the past year.
- Five (5) new business starts and 7 property sales occurred in the district in the past year.
- There was a net increase in downtown employment of 4 full time equivalent employees.
- Conducted promotional events, including ValenWine, the Friday Night Live summer concert series and Home for the Holidays.
- Organized and facilitated, for the 6th year, the Downtown Mason City Market, a Thursday afternoon and Saturday morning farmers' market in Central Park.
- Continued recognition as a National Main Street Community.

In addition to the above, the Downtown Mason City Neighborhood was designated one of "10 Great Neighborhoods in America" by the American Planning Association, for its tradition of quality planning, public engagement, preservation of historic character and successful redevelopment.

HOUSING

Housing construction for Fiscal Year 2013 included 14 single-family dwellings, and 6 duplexes (12 units), for a total of 26 new housing units. The number of single family dwelling units built is higher than that of previous years. Sixty-six (66)single-family dwellings were demolished.* After comparing the number of housing units built by the number demolished, the net loss for housing in FY13 totals 40 dwelling units for the community.

***62 of the 66 demolitions were due to the flood of 2008.**

TRAFFIC

In 2012, the Mason City Engineering Department completed the following transportation improvement project within the City of Mason City. The purpose of this type of project is to upgrade the existing network to accommodate increases in vehicular and pedestrian traffic. The upgrades also increase the safety level for users, and where the street is resurfaced, restores a safer driving surface for motorists.

The 19th Street SE and Mason Creek Culvert Widening project included the replacement and extension of a box culvert bridge at Mason Creek. The culvert widening complements the street widening between South Pennsylvania and Kentucky Avenues. The project also included Portland Cement Concrete (PCC) pavement widening, storm sewer improvements, asphalt surfacing, pedestrian crossing improvements, and a pedestrian recreational trail extending between Pennsylvania Avenue and Kentucky Avenue.

The widened section of the roadway has allowed the addition of a continuous center left turn lane. The total length of the project is approximately 4,625 feet. The added pedestrian trail is 8 feet wide and 4,515 feet in length.

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, 2013 provided instances of material weakness in the internal control structure.

Internal Controls: To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City’s financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

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, 2013.

Revenues	Amount	Percent of Total
Taxes	$17,671,038	58.18%
Licenses and Permits	587,652	1.93
Intergovernmental	10,176,181	33.51
Service Revenues	880,495	2.90
Fines and Forfeitures	80,084	0.26
Use of Monies and Properties	244,599	0.81
Special Assessments	34,981	0.12
Miscellaneous	643,145	2.12
Refunds	53,316	0.17
Total	$30,371,491	100.00%

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2013.

Expenditures	Amount	Percent of Total
Public Safety	$ 8,936,006	26.45%
Public Works	3,141,968	9.30
Health and Social Services	734,159	2.17
Culture and Recreation	3,199,482	9.47
Community & Economic Development	5,490,905	16.25
General Government	2,200,056	6.52
Capital Projects	5,870,375	17.37
Debt Service	4,213,909	12.47
Total	$33,786,860	100.00%

GENERAL FUND BALANCE

The General Fund closed the FY13 with a fund balance of $7,046,202 compared to $6,987,753 on June 30, 2012. This was due to a $58,449 increase of revenues over expenditures for FY13.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were $85,686 in FY13, a decrease of 13.3% from FY12. Operating expenses were $311,283 in FY13, a decrease of 1.9% from FY12. Net income was $2,008 in FY13, a 1.1% increase from FY12.

2. Waterworks Fund - Operating revenues were $5,723,723 in FY13, an increase of 6.2% from FY12. Operating expenses were $4,563,327 in FY13, an increase of 0.5% from FY12. Net income was $984,482 in FY13, a 94.7% decrease from FY12.

3. Sewer Rental Fund - Operating revenues were $4,362,980 in FY13, a decrease of 0.5% from FY12. Operating expenses were $3,333,204 in FY13, an increase of 3.5% from FY12. Net income was $904,196 in FY13, a 79.9% decrease from FY12.

4. Parking Lots Fund - Operating revenues were $31,322 in FY13, an increase of 28.0% from FY12. Operating expenses were $119,750 in FY13, an increase of 10.5% from FY12. Net income was $(29,392) in FY13, an 86.8% decrease from FY12.

5. Storm Sewer Fund – Operating revenues were $292,207 in FY13, an increase of 3.0% from FY12. Operating expenses were $185,205 in FY13, an increase of 3.0% from FY12. Net income was $156,704 in FY13, a 67.8% increase from FY12.

6. Solid Waste Fund - Operating revenues were $1,270,889 in FY13, an increase of 5.1% from FY12. Operating expenses were $1,254,707 in FY13, a decrease of 5.2% from FY12. Net income was $(15,538) in FY13, an 89.4% increase from FY12.

7. Golf Course Fund - Operating revenues were $353,697 in FY13, a decrease of 9.4% from FY12. Operating expenses were $428,147 in FY13, a decrease of 3.8% from FY12. Net income was $(31,232) in FY13, a 24.8% decrease from FY12.

8. Ambulance Fund – Operating revenues were $1,906,929 in FY13, an increase of 7.1% from FY12. Operating expenses were $1,464,418 in FY13, a decrease of 3.7% from FY12. Net income was $457,841 in FY13, a 90.6% increase from FY12.

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, 2013:

		RATIOS	
	Amount	Debt to Assessed Value	Debt per Capita
Net Bonded Debt	$29,158,703	2.68%	$1,038.45

The City issued $3,160,000 of General Obligation bonds during the year to fund an advanced refunding of three outstanding debt obligations and various public works and utility-related projects.

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 unassigned 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 2013, the City met all fund balance policies.

As a guideline for the budget process the City uses the established financial and budget policies which are reviewed and adopted annually by the City Council in connection with the budget process. Some of the goals of the financial policies include preserving capital through prudent budgeting and financial management, achieving a stable balance between the City's ongoing financial commitments and the continuing revenues available to the City, and to leverage local dollars with Federal and State funding grants. These financial policies ensure the City has appropriately recorded and accounted for transactions in our financial statements.

The City's adopted financial and budget policies generally provide for the City to use unrestricted cash reserves, not to exceed 5% of the projected year-end level, to keep the tax levy rate from increasing in the next fiscal year. Reserve use greater than 5% will need City Council approval. For fiscal year 2013, the City used approximately $200,000 of General Fund reserves to maintain the General Fund levy.

The City Council annually adopts a five-year Capital Improvement Plan. The plan identifies capital projects associated with the various departments throughout the City. It also shows the funding source for each of the projects. Major funding sources for capital projects include new debt, Local Option Sales and Service Tax, Road Use Tax and proprietary revenues.

The City Council approves the Debt Service policy during the budget process. The policy establishes the following measures in regard to the issuance of debt. First, the City prefers to limit the amount of general obligation debt payment to 25% of the total general operating budget. Second, debt maturities shall be for the shortest time possible under the circumstances, and in no situation will debt maturities exceed the useful life of the asset being acquired or constructed. Third, the debt service property tax rate will be maintained between $2.00 to $3.00 per $1,000 of valuation. Voter approved debt is removed from this calculation. Finally, the City's debt shall be rated by Moody's Investor Services and the City shall maintain its current "Aa2" rating.

The City Council also adopted Debt Service, Investment and Fund Transfer policies.

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 FY13 was made by Kronlage & Olson, P.C., Certified Public Accountants. Their 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, 2012. This was the twenty-seventh 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

Government Finance Officers Association

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, 2012

Executive Director/CEO

FINANCIAL SECTION

Kronlage & Olson, P.C.
Certified Public Accountants
Douglas E. Kronlage, CPA
John C. Olson, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mason City Housing Authority, which represents the entire assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Mason City Housing Authority, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Road Use Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 4 through 13 and page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, capital asset schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

The combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing* Standards

In accordance with *Government Auditing* Standards, we have also issued our report dated December 31, 2013, on our consideration of the City of Mason City, Iowa's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mason City, Iowa's internal control over financial reporting and compliance.

Kronlage & Olson, P.C.

Charles City, Iowa

December 31, 2013

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, 2013. 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-xii 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, 2013, by $166.52 million (net position). Of this amount, $26.75 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $5.31 million.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of $21.47 million, a decrease of $450 thousand as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $5.3 million, or 29.34% of the total general fund expenditures.
- Total debt decreased by approximately $4,091,000 (7.4%) during the current fiscal year. The City issued approximately $3.18 million of new bonds and retired approximately $7.26 million of existing bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 position 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 position 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 position changed during the most recent fiscal year. All changes in net position 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 blended with governmental special revenue funds, while the housing authority is shown separately as a component unit.

The government-wide financial statements can be found on pages 14-17 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, Road Use Tax Fund and Debt Service, 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 18-27 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 28-37 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 38-39 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 40-66 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 $166,524,082 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net position (81.5%) 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 Position and Changes in Net Position for the fiscal year ending June 30, 2013 and June 30, 2012.

City of Mason City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current & other assets	$ 39,991,174	$ 41,567,850	$ 9,218,863	$ 8,873,311	$ 49,210,037	$ 50,441,161
Capital assets	111,535,876	109,449,069	75,290,906	76,069,841	186,826,782	185,518,910
Total assets	151,527,050	151,016,919	84,509,769	84,943,152	236,036,819	235,960,071
Long-term liabilities outstanding	20,488,418	22,058,321	25,170,141	27,324,354	45,658,559	49,382,675
Other liabilites	19,368,986	20,560,686	4,485,192	4,807,245	23,854,178	25,367,931
Total liabilites	39,857,404	42,619,007	29,655,333	32,131,599	69,512,737	74,750,606
Net Position:						
Invested in capital assets, net of related debt	88,508,650	84,438,764	47,268,020	45,942,815	135,776,670	130,381,579
Restricted	1,144,727	1,160,831	2,854,934	2,863,129	3,999,661	4,023,960
Unrestricted	22,016,269	22,798,317	4,731,482	4,005,609	26,747,751	26,803,926
Total	$111,669,646	$ 108,397,912	$54,854,436	$52,811,553	$ 166,524,082	$ 161,209,465

A portion of the City of Mason City's net position (2.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($26,747,751) 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 position, 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 a decrease of $56,175 in unrestricted net position for the City of Mason City's governmental activities. The decrease in governmental activities unrestricted net assets is due to using cash reserves to fund additional health insurance costs for governmental funds.

The government's net position increased by $5,314,617 for the current fiscal year. Most of the increase was due to the continued Sewer inflow and infiltration project, the addition of a new ladder truck for the Fire Department, new playground equipment for Parks, water main reroutes and new equipment for the Cemetery.

City of Mason City Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Charges for services	$ 1,591,729	$ 1,658,658	$ 14,080,925	$ 13,607,068	$ 15,672,654	$ 15,265,726
Operating grants & contributions	4,679,847	4,303,876	(46,721)	37,354	4,633,126	4,341,230
Capital grants & contributions	6,022,423	8,315,838	681,130	4,030,634	6,703,553	12,346,472
General Revenues:						
Taxes	20,171,899	20,071,299	120,001	114,460	20,291,900	20,185,759
Investment earnings	233,535	259,331	63,986	108,031	297,521	367,362
Miscellaneous	126,077	1,098,186	76,956	112,040	203,033	1,210,226
Total revenues	32,825,510	35,707,188	14,976,277	18,009,587	47,801,787	53,716,775
Expenses:						
Public safety	9,943,882	9,787,453	-	-	9,943,882	9,787,453
Public works	7,553,058	7,382,204	-	-	7,553,058	7,382,204
Health & social servies	1,790,824	906,341	-	-	1,790,824	906,341
Culture & recreation	3,248,655	4,091,975	-	-	3,248,655	4,091,975
Community & econ development	3,743,098	1,979,288	-	-	3,743,098	1,979,288
General government	2,357,531	2,211,823	-	-	2,357,531	2,211,823
Interest on debt	863,232	992,502	-	-	863,232	992,502
Water	-	-	5,154,341	5,158,365	5,154,341	5,158,365
Sewer	-	-	3,905,597	3,824,139	3,905,597	3,824,139
Other		-	3,926,952	4,042,479	3,926,952	4,042,479
Total expenses	29,500,280	27,351,586	12,986,890	13,024,983	42,487,170	40,376,569
Increase in net position before transfer	3,325,230	8,355,602	1,989,387	4,984,604	5,314,617	13,340,206
Transfers	(53,496)	165,000	53,496	(165,000)	-	-
Increase in net position	3,271,734	8,520,602	2,042,883	4,819,604	5,314,617	13,340,206
Net position 7-1-2012	108,397,912	99,877,310	52,811,553	47,991,949	161,209,465	147,869,259
Net position 6-30-2013	$ 111,669,646	$ 108,397,912	$ 54,854,436	$ 52,811,553	$ 166,524,082	$ 161,209,465

Governmental Activities

The governmental activities' net position for the City of Mason City increased by $3,271,734 during the current fiscal year, accounting for 61.56% of the total increase in the net position of the City of Mason City. The majority of the increase in the net position is due to the addition of a new ladder truck for the Fire Department, new playground equipment for Parks new equipment for the Cemetery.
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Business-type Activities

Total net position increased by $2,042,883 for fiscal year 2013, accounting for 38.44% of the total growth in the City of Mason City's net position. The increase is due to the City continuing upgrades of the water and sanitary sewer system and vehicle purchases for the ambulance department.

Charges for services for business-type activities decreased 0.2%. Sanitation and golf course revenues were down slightly from the prior year resulting the slight decrease overall. Incremental sanitation revenues were down slightly due to less solid waste collections and weather played a part in decreased golf course revenues. All business-type fund rates remained the same as the prior year except sanitation which increased 1.0%.

Operating expenses for business type activities increased by 0.2%. Expenses in the Water fund decreased by less than 0.1% while Sewer expenses increased by 2.1%. The other business type expenses decreased by 2.8%. Sewer expense increases were due to increased maintenance expenses for the sewer treatment plant

Financial Analysis of the Government's Funds

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

Governmental Funds

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

In fiscal year 2011, the City adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions.* The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories and prepaid expenses. The Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

As of the end of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of $21,473,523 a decrease of $449,289 in comparison with the prior year. The decrease is due to the City Council approved use of reserves to help maintain the tax levy at a flat rate from the prior fiscal year. The fund balance has been reserved to indicate the amount not available for new spending because it has already been committed for; 1) nonspendable for endowment principal and prepaid expenses ($790,711); 2) restricted purposes such as streets, employee benefits, parks, museum, cemetery and tort liability ($14,175,612); and 3) assigned purposes such as Airport, Museum, Library and Recreation ($1,206,799).

The General Fund is the chief operating fund of the City of Mason City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $5,300,399 while total fund balance reached $7,046,202. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.68% of total General Fund expenditures, while total fund balance represents 32.80% of that same amount.

The General Fund balance increased by $58,449. The major factor in this increase is as follows:

- Additional fees were collected from permits, licenses and fire service fees.

The Debt Service Fund has a total negative fund balance of $10,025. The net decrease of $1,401 in fund balance during the current year in the debt service fund is due to the additional costs for arbitrage calculations. The General Fund will transfer the necessary funds into the Debt Service Fund to eliminate the deficit balance during the next fiscal year

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

- $2,270,000 General Obligation bonds for Police equipment, a new ladder truck for the Fire Department, transit rolling stock and water projects including replacement of mains and water tower upgrades.

- $890,000 General Obligation bonds for an advanced refunding of an outstanding debt obligation.

The basic governmental fund financial statements can be found on pages 18-27.

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 position of the proprietary funds at the end of the year amounted to $6,748,644. Water reported an increase in net assets of $797,281 and Sewer reported a decrease of $156,012. Sanitation rates were increased by 1.0%. Water, sewer and all other business-type funds had no rate increase. The increase in Water is due to additional work completed on the distribution system as well as a plant improvements. The decrease in the Sewer fund is due mainly to the anticipated draw on cash to complete capital projects during the year.

The Capital Improvements Plan identifies and quantifies capital needs for the next several years. Rates in Water and Sanitation 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 revenues amounted to $795,541 and the significant items are summarized as follows:

- Miscellaneous revenues included various grants and donations for the Blue Zones project, Youth Task Force, Parks projects and an Airport grant.

Differences between original and final budget expenses amounted to $1,145,271 and the significant items are summarized as follows:

- Public safety expenses for overtime, Chapter 411 medical cost and office expense were increased by $200,000.
- Health and Social Services was increased by $152,000 for Youth Task Force activities originally not budgeted but funded through new state grants.
- General Government increased by $206,000 for additional cost associated with the Blue Zones project, increased legal fees, additional tourism costs and Micro Enterprise costs associated with helping local businesses.
- Capital Projects was increased by $400,000 for Airport FFA projects not completed in the prior fiscal year.

The variance between the amended budget and actual was due mainly to the additional expenses with street projects that included City Council approved change orders.

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, 2013**,** amounts to $186,826,782 (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:

- Purchase of a ladder truck for the Fire Department.
- The Airport completed parking lot rehabilitation.
- Several street projects including the East State Street rehabilitation, curb and sidewalk replacement and Iowa Traction crossing were completed.
- Several parks enhancements including the Aquatic Center upgrades, softball park improvements and trail maintenance projects were completed.
- Water main reroutes were completed throughout the City.
- The inflow and infiltration project continues to update the sewer infrastructure.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 2,634,356	$ 2,634,356	$ 4,823,362	$ 4,823,362	$ 7,457,718	$ 7,457,718
Buildings & Structures	12,819,773	13,706,878	12,593,275	12,930,462	25,413,048	26,637,340
Other Improvements	18,556,890	17,842,721	198,670	165,835	18,755,560	18,008,556
Machinery & Equipment	1,739,430	2,078,032	754,078	942,149	2,493,508	3,020,181
Vehicles	3,014,718	2,138,047	1,275,024	1,265,062	4,289,742	3,403,109
Infrastructure	49,711,380	50,525,675	53,745,449	53,623,020	103,456,829	104,148,695
Construction in Progress	23,059,329	20,523,360	1,901,048	2,319,951	24,960,377	22,843,311
Total	$ 111,535,876	$ 109,449,069	$75,290,906	$76,069,841	$ 186,826,782	$ 185,518,910

Additional information on the City of Mason City's capital assets can be found in note 6 on pages 52-53 of this report.

Long-Term Debt

The amount of debt outstanding at fiscal year end was $51.09 million as compared to $55.18 million last fiscal year**.** The decrease is a result of pay down of outstanding debt while not issuing as much new debt for FY 2013 projects. New debt was issued for Police equipment, a new ladder truck for the Fire Department, transit rolling stock and water projects including replacement of mains and water tower upgrades as well as refunding outstanding debt at a lower interest rate. Of the total general obligation debt outstanding, $23.066 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, sewer or ambulance revenues.

City of Mason City's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation	$23,066,557	$24,004,077	$ 6,051,613	$ 6,306,008	$29,118,170	$30,310,085
Revenue bonds	-	1,049,774	21,971,273	23,821,018	21,971,273	24,870,792
Total	$23,066,557	$25,053,851	$28,022,886	$30,127,026	$51,089,443	$55,180,877

Moody's Investor Services continues to rate the City's General Obligation Bonds Aa2.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Mason City is $82,847,356 and the City of Mason City is currently at $28,995,000 or 35.00% of our outstanding general obligation debt. As a comparison, the legal debt limit was $81,919,465 and Mason City had issued $31,154,774 or 38.03% of its legal debt capacity for the previous fiscal year.

Additional information on the City of Mason City's long-term debt can be found in Note 9 on pages 56-59 of this report.

Economic Factors and Next Year's Budget and Rates

- The national average unemployment for June 2013 is 7.6%. The unemployment level for June 2012 was 8.2%. Cerro Gordo County's rate for June 2013 is 5.3%, and the state's rate is 4.6%.
- The hourly wage rate in Cerro Gordo County averaged $17.55 for 2012 and $17.83 for 1st quarter 2013.
- Retail sales in Cerro Gordo County were $675 million for fiscal year ending 2013, slightly down from $678 million in fiscal year 2012 and $643 million in fiscal year 2011.
- The total value of building permits for fiscal year 2013 was approximately $51.96 million. This compares with an amount of $45.99 million for fiscal year 2012.

Next Year's Budget and Rates

For FY 2013, 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 74% 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 continue with a similar amount of spending on improvements for water and sewer infrastructure as well as to continue spending on street improvements. There are anticipated increases in fees for water being projected for FY 2015, due to the proposed water tower construction. There are several capital projects currently under consideration for the FY 2015 budget. The capital projects will be funded with General Obligation or revenue bonds, existing fund balances or new revenues from sales tax, road use tax, and water charges for FY 2015. With the projected increases, the combined water, sewer, storm sewer and sanitation rates will again be around the 75th percentile of surveyed cities in Iowa that provide similar services.

Financial Information Contact

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

CITY OF MASON CITY, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS:				
Current assets:				
Cash	$ 12,155,875	$ 2,577,866	$ 14,733,741	$232,807
Investments	8,809,678	3,050,050	11,859,728	-
Receivables:				
Taxes	13,455,662	128,132	13,583,794	-
Special assessments	165,339	21,878	187,217	-
Accounts (net)	51,865	2,073,792	2,125,657	20,862
Accrued interest	19,739	3,446	23,185	-
Internal balances	1,965,336	(1,965,336)	-	-
Due from other governments	2,552,469	20,802	2,573,271	28,343
Prepaid insurance	157,215	52,292	209,507	-
Prepaid expenses	-	-	-	2,675
Inventory	9,175	401,007	410,182	-
Total current assets	$ 39,342,353	$ 6,363,929	$ 45,706,282	$284,687
Noncurrent assets:				
Restricted assets:				
Cash	$ 25,206	$ 2,854,304	$ 2,879,510	$ -
Investments	485,148	-	485,148	-
Receivables	735	630	1,365	-
Special assessments	137,732	-	137,732	-
Capital assets:				
Land and construction in progress	25,693,685	6,724,410	32,418,095	-
Other capital assets net of depreciation	85,842,191	68,566,496	154,408,687	23,742
Total noncurrent assets	$112,184,697	$78,145,840	$190,330,537	$ 23,742
Total assets	$151,527,050	$84,509,769	$236,036,819	$308,429
LIABILITIES:				
Current liabilities:				
Accounts payable	$ 1,165,181	$ 309,479	$ 1,474,660	$ 4,397
Salaries payable	273,012	90,307	363,319	7,402
Contracts payable	287,621	333,624	621,245	-
Accrued compensated absences	1,104,075	320,571	1,424,646	14,569
Accrued interest payable	59,214	62,282	121,496	-
Due to other governments	13,845	63,997	77,842	-
Due to customers	-	86,210	86,210	-
Unearned revenue	13,441,392	-	13,441,392	
Prepaid interments	-	38,197	38,197	-
Deferred revenue	-	127,055	127,055	395
Current portion of long-term debt:				
Bonds payable	3,024,646	3,053,470	6,078,116	-
Total current liabilities	$ 19,368,986	$ 4,485,192	$ 23,854,178	$ 26,763
Noncurrent liabilities:				
Bonds payable	$ 20,002,580	$24,969,416	$ 44,971,996	$ -
Net OPEB obligation	485,838	200,725	686,563	-
Total noncurrent liabilities	$ 20,488,418	$25,170,141	$ 45,658,559	$ -
Total liabilities	$ 39,857,404	$29,655,333	$ 69,512,737	$ 26,763

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			
	Governmental Activities	**Business-Type Activities**	**Total**	**Component Unit**
NET POSITION:				
Invested in capital assets—net of related debt	$ 88,508,650	$47,268,020	$135,776,670	$ 23,742
Restricted for:				
Nonexpendable:				
Museum funding	633,638	-	633,638	-
Perpetual care	511,089	-	511,089	-
Expendable:				
Bond retirement	-	2,854,934	2,854,934	-
Unrestricted	22,016,269	4,731,482	26,747,751	257,924
Total net position	**$111,669,646**	**$54,854,436**	**$166,524,082**	**$281,666**

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program: Charges for Services	Program: Operating Grants and Contributions
Primary government:			
Governmental activities:			
Public safety	$ 9,943,882	$ 417,633	$ 76,813
Public works	7,553,058	126,122	2,732,875
Health and social services	1,790,824	2,872	453,980
Culture and recreation	3,248,655	481,665	336,877
Community and economic development	3,743,098	199,266	1,066,892
General government	2,357,531	364,171	12,410
Interest on long-term debt	863,232	-	-
Total governmental activities	$29,500,280	$ 1,591,729	$4,679,847
Business-type activities:			
Cemetery	$ 332,576	$ 85,686	$ -
Water	5,154,341	5,723,723	(5,801)
Sewer	3,905,597	4,370,992	-
Parking lots	125,823	76,802	-
Storm sewer	188,616	292,207	-
Solid waste	1,317,928	1,270,889	(40,920)
Golf course	435,999	353,697	-
Ambulance	1,526,010	1,906,929	-
Total business-type activities	$12,986,890	$14,080,925	$ (46,721)
Total primary government	**$42,487,170**	**$15,672,654**	**$4,633,126**
Component unit:			
Mason City Housing Authority	**$ 2,327,521**	**$ 2,202,324**	**$ -**

General Revenues:
- Property taxes
- Other taxes
- Franchise taxes
- 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 position
Net position – beginning
Net position - ending

See Notes to Financial Statements.

Revenue	Net (Expense) Revenue and Change in Net Assets			
	Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
$ -	$ (9,449,436)	$ -	$ (9,449,436)	$ -
2,569,289	(2,124,772)	-	(2,124,772)	-
-	(1,333,972)	-	(1,333,972)	-
212,868	(2,217,245)	-	(2,217,245)	-
3,240,266	763,326	-	763,326	-
-	(1,980,950)	-	(1,980,950)	-
-	(863,232)	-	(863,232)	-
$6,022,423	$(17,206,281)	$ -	$(17,206,281)	$ -
$ -	$ -	$ (246,890)	$ (246,890)	$ -
263,379	-	826,960	826,960	-
365,661	-	831,056	831,056	-
-	-	(49,021)	(49,021)	-
52,090	-	155,681	155,681	-
-	-	(87,959)	(87,959)	-
-	-	(82,302)	(82,302)	
-	-	380,919	380,919	-
$ 681,130	$ -	$ 1,728,444	$ 1,728,444	$ -
$6,703,553	**$(17,206,281)**	**$ 1,728,444**	**$(15,477,837)**	**$ -**
$ -	**$ -**	**$ -**	**$ -**	**$(125,197)**
	$ 14,956,662	$ 120,001	$ 15,076,663	$ -
	5,042,539	-	5,042,539	-
	13,500	-	13,500	-
	159,198	-	159,198	-
	11,192	-	11,192	-
	233,535	63,986	297,521	546
	114,885	76,956	191,841	-
	(53,496)	53,496	-	-
	$ 20,478,015	$ 314,439	$ 20,792,454	$ 546
	$ 3,271,734	$ 2,042,883	$ 5,314,617	$(124,651)
	108,397,912	52,811,553	161,209,465	406,317
	$111,669,646	**$54,854,436**	**$166,524,082**	**$ 281,666**

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2013

	General	Road Use Tax
ASSETS:		
Cash	$ 5,479,550	$2,634,947
Investments	1,975,534	-
Receivables:		
Property taxes	8,525,374	819
Other taxes	3,756	-
Accrued interest	3,532	-
Special assessments - current	70,987	77,417
Special assessments - deferred	-	2,252
Accounts (net)	51,865	-
Due from other funds	567,552	6,727
Due from state government	640,543	1,181,707
Due from federal government	186,430	-
Prepaid insurance	143,958	13,115
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
Total assets	**$17,649,081**	**$3,916,984**
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	$ 331,584	$ 160,644
Salaries payable	248,394	20,010
Contracts payable	10,110	108,442
Accrued vacation payable	1,000,897	91,939
Due to other funds	578,519	17,178
Due to state government	3,027	10,068
Unearned revenue	8,430,348	2,252
Total liabilities	$10,602,879	$ 410,533
Fund Balances:		
Nonspendable	$ 143,958	$ 13,115
Restricted	1,214,910	3,493,336
Assigned	144,553	-
Unassigned	5,542,781	-
Total fund balances	$ 7,046,202	$3,506,451
Total liabilities and fund balance	**$17,649,081**	**$3,916,984**

See Notes to Financial Statements.

Debt Service	Other Governmental	Total
$ 25,979	$ 3,742,653	$11,883,129
-	6,242,001	8,217,535
3,124,245	1,305,417	12,955,855
-	-	3,756
334	15,483	19,349
-	16,935	165,339
-	135,480	137,732
-	-	51,865
14,114	505,592	1,093,985
-	543,789	2,366,039
-	-	186,430
-	-	157,073
-	25,206	25,206
-	485,148	485,148
-	735	735
$3,164,672	**$13,018,439**	**$37,749,176**

$ 21	$ 21,847	$ 514,096
-	1,375	269,779
-	169,069	287,621
-	-	1,092,836
91,685	480,589	1,167,971
-	751	13,846
3,082,991	1,413,913	12,929,504
$3,174,697	$ 2,087,544	$16,275,653

$ -	$ 633,638	$ 790,711
-	9,467,366	14,175,614
-	1,062,248	1,206,799
(10,025)	(232,357)	5,300,399
$ (10,025)	$10,930,895	$21,473,523
$3,164,672	**$13,018,439**	**$37,749,176**

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Fund balances—total governmental funds		$ 21,473,523
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.		9,175
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		111,509,557
Internal service funds, net position		2,249,669
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:		
Bonds payable	$(23,066,557)	
Accrued interest	(59,214)	
Bond discount	39,331	
Net OPEB obligation	(485,838)	(23,572,278)
Net position of governmental activities		**$111,669,646**

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, 2013

	General	Road Use Tax
REVENUES:		
Property taxes	$ 8,255,591	$ -
TIF revenues	-	-
Other taxes	3,429,503	-
Licenses and permits	587,652	-
Intergovernmental	2,838,533	3,964,799
Charges for service	757,586	(1,730)
Fines and forfeitures	80,084	-
Use of money and property	309,268	421
Special assessments	1,398	563
Miscellaneous	514,659	-
Refunds	46,061	7,255
Total revenues	$16,820,335	$ 3,971,308
EXPENDITURES:		
Current:		
Public safety	$ 7,629,852	$ -
Public works	949,124	2,148,731
Health & social services	704,241	-
Culture & recreation	2,675,359	-
Community & economic development	929,488	95,137
General government	2,077,588	-
Capital projects	3,093,673	2,759,092
Debt Service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	$18,059,325	$ 5,002,960
Excess (deficiency) of revenues over (under) expenditures	$(1,238,990)	$(1,031,652)
Other financing sources (uses):		
Proceeds from refunding bonds	$ -	$ -
Payment to refunding escrow agent	-	-
Issuance of general obligation bonds	1,224,840	-
Premium/discount on bonds	-	-
Transfers in	305,000	1,576,800
Transfers out	(232,401)	(179,741)
Total other financing sources (uses)	$ 1,297,439	$ 1,397,059
Net change in fund balance	$ 58,449	$ 365,407
Fund balance beginning of year	6,987,753	3,141,044
Fund balance end of year	**$ 7,046,202**	**$ 3,506,451**

See Notes to Financial Statements.

Debt Service	Other Governmental	Total
$3,280,678	$ 1,295,982	$12,832,251
-	1,409,284	1,409,284
-	1,785,734	5,215,237
-	-	587,652
-	3,372,849	10,176,181
-	133,156	889,012
-	-	80,084
3,068	(60,628)	252,129
-	33,020	34,981
-	483,193	997,852
-	-	53,316
$3,283,746	$ 8,452,590	$32,527,979
$ -	$ 1,306,154	$ 8,936,006
-	76,468	3,174,323
-	29,918	734,159
-	721,247	3,396,606
-	4,466,280	5,490,905
-	122,468	2,200,056
-	267,558	6,120,323
3,342,294	-	3,342,294
818,835	-	818,835
52,780	-	52,780
$4,213,909	$ 6,990,093	$34,266,287
$ (930,163)	$ 1,462,497	$(1,738,308)
$ 890,000	$ -	$ 890,000
(860,000)	-	(860,000)
100,160	-	1,325,000
(12,485)	-	(12,485)
865,127	174,741	2,921,668
(54,040)	(2,508,982)	(2,975,164)
$ 928,762	$(2,334,241)	$ 1,289,019
$ (1,401)	$ (871,744)	$ (449,289)
(8,624)	11,802,639	21,922,812
$ (10,025)	**$10,930,895**	**$21,473,523**

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, 2013

Net change in fund balances—total governmental funds		$ (449,289)
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.		(295,263)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay	$9,019,639	
Depreciation expense	(5,936,934)	3,082,705
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	$4,202,294	
Issuance of debt	(2,202,515)	
Accrued interest	8,383	
Amortization of bond discount	(16,700)	
Other post-employment benefits	(95,528)	1,895,934
Internal service funds net change		(962,353)
Change in net position—governmental activities		**$3,271,734**

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, 2013

	Original Budget	Amended Budget	Actual
REVENUES:			
Property tax	$ 8,236,408	$ 8,236,408	$ 8,255,591
Other tax	3,180,290	3,180,290	3,429,503
Licenses and permits	600,810	600,810	587,652
Intergovernmental	2,714,469	2,714,469	2,838,533
Charges for service	880,980	880,980	757,586
Fines and forfeitures	-	-	80,084
Use of money and property	409,450	409,450	309,268
Special assessments	-	-	1,398
Miscellaneous	255,069	1,050,610	514,659
Refunds	-	-	46,061
Total revenues	$16,277,476	$17,073,017	$16,820,335
EXPENDITURES:			
Current:			
Public safety	$ 7,904,372	$ 8,139,622	$ 7,629,852
Public works	706,334	706,334	949,124
Health & social services	698,903	927,766	704,241
Culture & recreation	2,806,074	2,806,074	2,675,359
Community & economic development	990,184	990,184	929,488
General government	1,959,924	2,165,924	2,077,588
Capital projects	3,129,852	3,605,010	3,093,673
Total expenditures	$18,195,643	$19,340,914	$18,059,325
Excess (deficiency) of revenues over (under) expenditures	$(1,918,167)	$(2,267,897)	$(1,238,990)
Other financing sources (uses):			
Issuance of general obligation bonds	$ 842,304	$ 842,304	$ 1,224,840
Transfers in	1,025,350	1,025,350	305,000
Transfers out	(217,400)	(217,400)	(232,401)
Total other financing sources (uses)	$ 1,650,254	$ 1,650,254	$ 1,297,439
Net change in fund balance	$ (267,913)	$ (617,643)	$ 58,449
Fund balance beginning of year	-	-	6,987,753
Fund balance end of year	**$ (267,913)**	**$ (617,643)**	**$ 7,046,202**

See Notes to Financial Statements.

Variance with Amended Budget Positive (Negative)
$ 19,183
249,213
(13,158)
124,064
(123,394)
80,084
(100,182)
1,398
(535,951)
46,061
$ (252,682)
$ 509,770
(242,790)
223,525
130,715
60,696
88,336
511,337
$1,281,589
$1,028,907
$ 382,536
(720,350)
(15,001)
$ (352,815)
$ 676,092
6,987,753
$7,663,845

CITY OF MASON CITY, IOWA
ROAD USE TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Amended Budget	Actual
REVENUES:			
Intergovernmental:			
Road use tax allocation	$ 3,247,131	$ 3,247,131	$ 3,964,799
Charges for service	-	-	(1,730)
Use of money and property	-	-	421
Special assessments	-	-	563
Miscellaneous	45,000	45,000	-
Refund	-	-	7,255
Total revenues	$ 3,292,131	$ 3,292,131	$ 3,971,308
EXPENDITURES:			
Current:			
Public works:			
Personal services	$ 1,196,933	$ 1,196,933	$ 1,137,928
Contractual	682,972	682,972	626,207
Commodities	449,462	449,462	384,596
Other	-	110,325	-
Total public works	$ 2,329,367	$ 2,439,692	$ 2,148,731
Community and economic development:			
Commodities	-	-	95,137
Capital projects	2,819,564	2,819,564	2,759,092
Total expenditures	$ 5,148,931	$ 5,259,256	$ 5,002,960
Excess (deficiency) of revenues over (under) expenditures	$(1,856,800)	$(1,967,125)	$(1,031,652)
Other financing sources (uses):			
Transfers in	$ 1,576,800	$ 1,576,800	$ 1,576,800
Transfers out	(20,000)	(20,000)	(179,741)
Total other financing sources (uses)	$ 1,556,800	$ 1,556,800	$ 1,397,059
Net change in fund balance	$ (300,000)	$ (410,325)	$ 365,407
Fund balance beginning of year	-	-	3,141,044
Fund balance end of year	**$ (300,000)**	**$ (410,325)**	**$ 3,506,451**

See Notes to Financial Statements.

Variance with Amended Budget Positive (Negative)
$ 717,668
(1,730)
421
563
(45,000)
7,255
$ 679,177
$ 59,005
56,765
64,866
110,325
$ 290,961
(95,137)
60,472
$ 256,296
$ 935,473
$ -
(159,741)
$ (159,741)
$ 775,732
3,141,044
$3,916,776

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Waterworks	Sewer Rental
ASSETS:		
Current assets::		
Cash	$ 1,133,058	$ 81,819
Investments (at cost)	1,050,000	1,650,000
Receivables:		
Property taxes	-	-
Special assessments - current	-	21,878
Accounts (net)	647,301	488,958
Accrued interest	1,033	2,024
Inventory	263,222	51,754
Due from other funds	95,596	-
Due from state government	9,418	-
Due from federal government	10,700	-
Prepaid insurance	21,464	25,608
Total current assets	$ 3,231,792	$ 2,322,041
Noncurrent assets:		
Restricted assets:		
Cash	$ 1,799,560	$ 1,054,744
Accrued interest	519	111
Total restricted assets	$ 1,800,079	$ 1,054,855
Property, plant and equipment:		
Land	$ 167,220	$ 316,209
Buildings	15,529,659	-
Equipment	915,810	908,693
Distribution system	31,911,237	-
Meters	1,049,996	-
Plant and improvements	-	32,183,765
Sewer lines and lifts	-	18,097,303
Improvements	-	-
Vehicles	475,884	905,368
Construction in progress	671,555	1,207,475
Total property, plant and equipment	$50,721,361	$53,618,813
Less accumulated depreciation	(16,779,504)	(21,119,936)
Net property, plant and equipment	$33,941,857	$32,498,877
Total noncurrent assets	$35,741,936	$33,553,732
Total assets	$38,973,728	$35,875,773

(continued)

Other	Total	Governmental Activities-Internal Service
$ 1,362,989	$ 2,577,866	$ 272,746
350,050	3,050,050	592,143
128,132	128,132	496,053
-	21,878	-
937,533	2,073,792	-
389	3,446	392
86,031	401,007	-
81,151	176,747	22,160
684	10,102	-
-	10,700	-
5,220	52,292	141
$ 2,952,179	$ 8,506,012	$1,383,635
$ -	$ 2,854,304	$ -
-	630	-
$ -	$ 2,854,934	$ -
$ 4,339,933	$ 4,823,362	$ -
1,471,560	17,001,219	-
1,164,072	2,988,575	105,098
-	31,911,237	-
-	1,049,996	-
-	32,183,765	-
4,260,170	22,357,473	-
3,132,476	3,132,476	-
1,742,994	3,124,246	85,174
22,018	1,901,048	-
$16,133,223	$120,473,397	$ 190,272
(7,283,051)	(45,182,491)	(163,952)
$ 8,850,172	$ 75,290,906	$ 26,320
$ 8,850,172	$ 78,145,840	$ 26,320
$11,802,351	$ 86,651,852	$1,409,955

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Waterworks	Sewer Rental
LIABILITIES:		
Current liabilities::		
Accounts payable	$ 118,496	$ 69,098
Salaries payable	26,146	18,220
Contracts payable	65,014	268,610
Accrued vacation payable	81,568	84,040
Accrued interest payable	24,737	37,213
Due to other funds	9,149	7,588
Due to state government	25,642	-
Due to customers	86,210	-
General obligation bonds	651,452	393,902
General obligation notes	-	-
Revenue bonds	1,071,000	851,000
Prepaid interments	-	-
Unearned revenue	-	-
Total current liabilities	$ 2,159,414	$ 1,729,671
Long-term debt:		
General obligation bonds	$ 2,740,790	$ 2,142,300
General obligation notes	-	-
Revenue bonds	9,410,000	10,813,000
Unamortized bond discount	(50,397)	(123,330)
Net OPEB obligation	68,848	43,212
Total long-term debt	$12,169,241	$12,875,182
Total liabilities	$14,328,655	$14,604,853
Net position:		
Invested in capital assets, net of related debt	$20,119,012	$18,422,005
Restricted for:		
Bond retirement	1,800,079	1,054,855
Unrestricted	2,725,982	1,794,060
Total net position	**$24,645,073**	**$21,270,920**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
Net position of business-type activities		

See Notes to Financial Statements.

Other	Total	Governmental Activities-Internal Service
$ 121,885	$ 309,479	$ 651,088
45,941	90,307	3,233
-	333,624	-
154,963	320,571	11,239
332	62,282	-
108,184	124,921	-
38,355	63,997	-
-	86,210	-
-	1,045,354	-
86,116	86,116	-
-	1,922,000	-
38,197	38,197	-
127,055	127,055	511,888
$ 721,028	$ 4,610,113	$1,177,448
$ -	$ 4,883,090	$ -
37,053	37,053	-
-	20,223,000	-
-	(173,727)	-
88,665	200,725	-
$ 125,718	$25,170,141	$ -
$ 846,746	$29,780,254	$1,177,448
$ 8,727,003	$47,268,020	$ 26,320
-	2,854,934	-
2,228,602	6,748,644	206,187
$10,955,605	$56,871,598	**$ 232,507**
	(2,017,162)	
	$54,854,436	

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Waterworks	Sewer Rental
Operating revenues:		
Charges for service	$ 5,723,723	$ 4,362,980
Health insurance contributions	-	-
Total operating revenues	$ 5,723,723	$ 4,362,980
Operating expenses:		
Business type activities:		
Personal service	$ 1,479,799	$ 1,035,289
Contractual	872,090	485,918
Commodities	752,238	280,522
Other	57,787	96,921
Depreciation	1,391,895	1,431,817
Amortization	9,518	2,737
Total operating expenses	$ 4,563,327	$ 3,333,204
Operating income (loss)	$ 1,160,396	$ 1,029,776
Nonoperating revenues (expenses):		
Property taxes	$ -	$ -
Intergovernmental	(5,801)	-
Fines and forfeitures	-	-
Use of money and property	30,427	4,536
Special assessments	-	969
Miscellaneous	3,260	6,094
Interest	(447,179)	(482,840)
Loss on disposal of assets	-	-
Total nonoperating revenue (expense)	$ (419,293)	$ (471,241)
Income (loss) before contributions and transfers	$ 741,103	$ 558,535
Contributions and transfers:		
Transfers in	$ -	$ -
Transfers out	(20,000)	(20,000)
Capital contributions	263,379	365,661
Total contributions and transfers	$ 243,379	$ 345,661
Change in net position	$ 984,482	$ 904,196
Net position beginning of year	23,660,591	20,366,724
Net position end of year	**$24,645,073**	**$21,270,920**

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

Change in net position of business-type activities

See Notes to Financial Statements.

Other	Total	Governmental Activities-Internal Service
$ 3,940,730	$14,027,433	$ 284,328
-	-	2,456,406
$ 3,940,730	$14,027,433	$ 2,740,734
$ 2,350,970	$ 4,866,058	$ 3,957,502
547,115	1,905,123	16,504
341,623	1,374,383	29,094
5,389	160,097	-
518,413	3,342,125	10,627
-	12,255	-
$ 3,763,510	$11,660,041	$ 4,013,727
$ 177,220	$ 2,367,392	$(1,272,993)
$ 120,002	$ 120,002	$ 715,127
(40,920)	(46,721)	-
45,480	45,480	-
29,023	63,986	(18,302)
7,043	8,012	-
67,602	76,956	-
(9,328)	(939,347)	-
(1,317)	(1,317)	-
$ 217,585	$ (672,949)	$ 696,825
$ 394,805	$ 1,694,443	$ (576,168)
$ 93,496	$ 93,496	$ -
-	(40,000)	-
52,090	681,130	-
$ 145,586	$ 734,626	$ -
$ 540,391	$ 2,429,069	$ (576,168)
10,415,214		808,675
$10,955,605		**$ 232,507**
	(386,186)	
	$ 2,042,883	

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

	Waterworks	Sewer Rental
Cash flows from operating activities:		
Cash received from interfund charges	$ -	$ -
Cash received from employees and others	-	-
Cash received from customers	5,811,078	4,301,942
Cash paid to employees for services	(1,494,177)	(1,032,191)
Cash paid to other suppliers of goods or services	(1,686,125)	(875,903)
Cash paid for health and life insurance	-	-
Rent received from operating assets	26,044	-
Proceeds from miscellaneous items	3,260	7,063
Net cash provided (used) by operating activities	$ 2,660,080	$ 2,400,911
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	$ -	$ -
Transfers in	-	-
Transfers out	(20,000)	(20,000)
Intergovernmental proceeds	-	
Advance repayment from (to) other funds	(551,036)	551,036
Net cash provided (used) by non-capital financing activities	$ (571,036)	$ 531,036
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	$(1,034,972)	$(1,376,986)
Proceeds from sale of capital assets	-	-
Principal payments	(1,677,240)	(1,202,240)
Interest payments	(459,363)	(486,077)
Proceeds from issuance of bonds	945,000	-
Capital contributions	457,519	909,529
Net cash provided (used) for capital and related financing activities	$(1,769,056)	$(2,155,774)
Cash flows from investing activities:		
Proceeds from sale of investments	$ 3,900,000	$ 3,000,000
Purchase of investments	(2,600,000)	(3,150,000)
Interest received	3,711	3,107
Rent received on investment property	-	-
Net cash provided (used) by investing activities	$ 1,303,711	$ (146,893)
Net increase (decrease) in cash	$ 1,623,699	$ 629,280
Cash beginning of year	1,308,919	507,283
Cash end of year	**$ 2,932,618**	**$ 1,136,563**
Noncash capital, investing and financing activities:		
Capital contributions	$ 49,380	$ 32,736
Decrease in fair value of investments	$ -	$ -

(continued)

Other	Total	Governmental Activities-Internal Service
$ -	$ -	$ 2,335,677
-	-	408,884
3,865,563	13,978,583	-
(2,404,050)	(4,930,418)	(182,505)
(918,345)	(3,480,373)	(44,528)
-	-	(3,673,627)
-	26,044	-
122,524	132,847	-
$ 665,692	$ 5,726,683	$(1,156,099)
$ 119,758	$ 119,758	$ 714,806
93,496	93,496	-
-	(40,000)	-
-	-	-
-	-	-
$ 213,254	$ 173,254	$ 714,806
$ (356,200)	$(2,768,158)	$ -
3,000	3,000	-
(181,807)	(3,061,287)	-
(9,877)	(955,317)	-
-	945,000	-
-	1,367,048	-
$ (544,884)	$(4,469,714)	$ -
$1,825,000	$ 8,725,000	$ 921,081
(1,425,000)	(7,175,000)	(917,000)
23,282	30,100	14,746
30,211	30,211	-
$ 453,493	$ 1,610,311	$ 18,827
$ 787,555	$ 3,040,534	$ (422,466)
575,434	2,391,636	695,212
$1,362,989	**$ 5,432,170**	**$ 272,746**
$ 52,090	$ 134,206	$ -
$ -	$ -	$ (48,045)

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

	Waterworks	Sewer Rental
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$1,160,396	$1,029,776
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	1,401,413	1,434,554
Rental income	26,044	-
Miscellaneous income	3,260	7,063
Change in assets and liabilities:		
(Increase) decrease in receivables	36,742	(1,154)
(Increase) decrease in inventory	35,647	19,938
(Increase) decrease in due from other funds	(20,404)	-
(Increase) decrease in prepaid insurance	(5,065)	(234)
Increase (decrease) in accounts and contracts payable	37,443	(124,606)
Increase (decrease) in salaries payable	(26,796)	16,844
Increase (decrease) in accrued compensated absences	(1,076)	11,490
Increase (decrease) in due to other funds	281	(242)
Increase (decrease) in due to state government	4,227	-
Increase (decrease) in due to customers	(5,526)	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	(969)
Increase (decrease) in net OPEB obligation	13,494	8,451
Net cash provided (used) by operating activities	**$2,660,080**	**$2,400,911**

See Notes to Financial Statements.

Other	Total	Governmental Activities-Internal Service
$177,220	$2,367,392	$(1,272,993)
518,413	3,354,380	10,627
-	26,044	-
120,125	130,448	-
(121,226)	(85,638)	-
(27,746)	27,839	-
-	(20,404)	1,076
401	(4,898)	-
29,624	(57,539)	102,348
(45,116)	(55,068)	(2,927)
4,938	15,352	4,013
(1,199)	(1,160)	(6)
(597)	3,630	-
-	(5,526)	-
(4,382)	(4,382)	-
300	(669)	1,763
14,937	36,882	-
$665,692	**$5,726,683**	**$(1,156,099)**

CITY OF MASON CITY, IOWA
FIDUCIARY FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Firemen's Pension
ASSETS:	
Cash	$ 5,455
Receivables:	
Property taxes	7,277
Total assets	$12,732
LIABILITIES:	
Deferred revenue	7,200
NET POSITION:	
Held in trust for pension benefits	**$ 5,532**

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Firemen's Pension
ADDITIONS:	
Property taxes	$7,201
DEDUCTIONS:	
Public safety:	
Benefits paid	6,790
Change in net position	$ 411
Net position beginning of year	5,121
Net position end of year	**$5,532**

See Notes to Financial Statements.

(1) Financial Reporting Entity

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

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

(2) Summary of Significant Accounting Policies - continued

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net assets not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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.

(2) Summary of Significant Accounting Policies – continued

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.

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.

(2) Summary of Significant Accounting Policies – continued

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

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 of 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.

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 central services fund is used to account for (1) maintenance and repair costs related to City vehicles and equipment and (2) costs for electrical maintenance repair 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 and report the proceeds of specific revenue sources that are restricted or committed for a specified purpose other than debt service.

The Capital Projects Funds account for financial resources to be used for the 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.

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.

(2) Summary of Significant Accounting Policies – continued

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

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

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

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

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.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then to less restrictive classifications—committed, assigned and then unassigned.

(2) Summary of Significant Accounting Policies – continued

(C) Assets, liabilities and net position 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 (IPAIT) which is a 2a-7 - like pool. IPAIT is a common law trust established under Iowa law and is administered by an appointed investment management company and operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. 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. $4,321 and $6,004 of investment income for the years ended June 30, 2013 and 2012, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2013, in proprietary and governmental funds is reported net of allowance for doubtful accounts in the amounts of $958,926 and $135,037, 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.

(2) Summary of Significant Accounting Policies – continued

Property taxes levied by the Cerro Gordo County Auditor for the year ended June 30, 2013, were due by July 1, 2012, with the first half installment being delinquent after September 30, 2012, and the second half installment being delinquent after March 31, 2013. 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 2013 levy certified on March 15, 2013, based on 2012 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2014, the revenue has been recorded as unearned revenue.

Inventories and Prepaid Items

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

Restricted Assets

Assets within the enterprise 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.

(2) Summary of Significant Accounting Policies – continued

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City Council intends to use for specific purposes. Intent can be expressed by the City Council or by an official or body to which the City Council delegates it authority.

Unassigned – All amounts not included in other spendable classifications.

(2) Summary of Significant Accounting Policies – continued

(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 Westside TIF, South Eisenhower TIF, North Iowa Vocational Center, ESGP Grant, MacNider Museum Foundation special revenue funds; Cemetery Perpetual Care permanent fund and fiduciary funds. The statutory level of control is on the program level for all funds rather than at the individual fund level. The City's budget as prescribed by the Code of Iowa must contain the following:

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

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

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

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

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

(2) Summary of Significant Accounting Policies – continued

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2013 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	$ 9,364,024	$ 260,750	$ 9,624,774	$ 8,936,006
Public Works	3,267,473	559,745	3,827,218	3,174,323
Health and Social Services	735,395	232,521	967,916	734,159
culture and Recreation	3,448,780	381,900	3,830,680	3,396,606
Community and Economic Development	10,953,695	9,100	10,962,795	5,490,905
General Government	5,001,366	206,000	5,207,366	2,200,056
Debt Service	5,457,162	99,000	5,556,162	4,213,909
Capital Projects	6,205,071	-	6,205,071	6,120,323
Business-Type	15,984,387	49,789	15,601,210	12,600,705
Total	$59,984,387	$1,798,805	$61,783,192	$46,866,992

The fiscal year 2013 budget amendment resulted in an overall increase in the appropriation.

(E) Unbilled Revenues

The Waterworks, Sewer Rental, Solid Waste and Storm Sewer 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, 2013 unbilled utility receivables for the Waterworks, Sewer Rental, Solid Waste and Storm Sewer Funds were included in accounts receivable and totaled approximately $400,782, $348,633, $99,759 and $24,408, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2013 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.

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 $818,801 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

(3) Cash and Investments – continued

The carrying amount and fair value of the City's investments at June 30, 2013 are as follows:

	Fair Value
U.S. Government securities	$ 4,287,040
Equity securities	1,645,643
	$ 5,932,683
Deposits classified as investments:	
Iowa Public Agency Investment Trust	818,801
Nonnegotiable certificates of deposit	3,617,858
Total	$10,369,342
Less: Restricted investments	485,148
Total unrestricted investments per balance sheet	$ 9,884,194

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

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

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

(4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2013 consisted of the following amounts:

Fund	Interfund Receivable	Interfund Payable
Governmental:		
General	$ 567,552	$ 578,519
Road use tax	6,727	17,178
Debt service	14,114	91,685
Nonmajor funds	505,592	480,589
Internal Service funds	22,160	-
Total governmental	$1,116,145	$1,167,971
Business-Type:		
Waterworks	$ 95,596	$ 9,149
Sewer rental	-	7,588
Nonmajor funds	81,151	108,184
Total business-type	$ 176,747	$ 124,921
Total due to/from other funds	$1,292,892	$1,292,892

(4) Interfund Receivable and Payable Balances – continued

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of $962,843. 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, 2013 were:

Fund	Transfers In	Transfers Out
Governmental:		
General	$ 305,000	$ 232,401
Road use tax	1,576,800	179,741
Debt service	865,127	54,040
Nonmajor funds	174,741	2,508,982
Total governmental	$2,921,668	$2,975,164
Business-Type:		
Waterworks	$ -	$ 20,000
Sewer rental	-	20,000
Nonmajor funds	93,496	-
Total business-type	$ 93,496	$ 40,000
Total transfers	$3,015,164	$3,015,164

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

(6) Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,634,356	$ -	$ -	$ 2,634,356
Construction in progress	20,523,360	6,470,348	3,934,379	23,059,329
Total capital assets, not being depreciated	$ 23,157,716	$6,470,348	$3,934,379	$ 25,693,685
Capital assets, being depreciated:				
Buildings and structures	$ 20,141,004	$ 114,320	$ 3,219	$ 20,252,105
Improvements other than buildings	26,892,764	1,613,277	-	28,506,041
Machinery and equipment	6,014,901	133,399	37,450	6,110,850
Vehicles	7,753,975	1,453,356	254,594	8,952,737
Infrastructure	80,037,249	2,265,117	-	82,302,366
Total capital assets, being depreciated	$140,839,893	$5,579,469	$ 295,263	$146,124,099
Less accumulated depreciation for:				
Buildings and structures	$ 6,681,399	$ 754,152	$ 3,219	$ 7,432,332
Improvements other than buildings	8,802,770	1,146,381	-	9,949,151
Machinery and equipment	3,936,869	469,679	35,128	4,371,420
Vehicles	5,615,928	497,937	175,846	5,938,019
Infrastructure	29,511,574	3,079,412	-	32,590,986
Total accumulated Depreciation	$ 54,548,540	$5,947,561	$ 214,193	$ 60,281,908
Total capital assets, being depreciated, net	$ 86,291,353	$ (368,092)	$ 81,070	$ 85,842,191
Governmental activities capital assets, net	$109,449,069	$6,102,256	$4,015,449	$111,535,876

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

Governmental activities:	
Public safety	$ 447,466
Public works	4,301,371
Health and social services	1,635
Culture and recreation	1,028,835
Community and economic development	85,489
General government	72,138
Internal service funds depreciation is charged to various functions based on their usage of assets	10,627
Total depreciation expense—governmental activities	$5,947,561

(6) Capital Assets - continued

Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 4,823,362	$ -	$2,322,652	$ 4,823,362
Construction in progress	2,319,951	1,903,749	-	1,901,048
Total capital assets, not being depreciated	$ 7,143,313	$1,903,749	$2,322,652	$ 6,724,410
Capital assets, being depreciated:				
Buildings and structures	$ 16,934,539	$ 66,681	$ -	$ 17,001,220
Improvements other than buildings	3,065,432	67,044	-	3,132,476
Machinery and equipment	2,998,345	54,310	64,080	2,988,575
Vehicles	3,040,429	280,086	196,269	3,124,246
Collection and distribution systems	85,200,777	2,541,893	240,200	87,502,470
Total capital assets, being depreciated	$111,239,522	$3,010,014	$ 500,549	$113,748,987
Less accumulated depreciation for:				
Buildings and structures	$ 4,004,077	$ 403,868	$ -	$ 4,407,945
Improvements other than buildings	2,899,397	34,409	-	2,933,806
Machinery and equipment	2,056,196	225,352	47,051	2,234,497
Vehicles	1,775,367	259,032	185,177	1,849,222
Collection and distribution systems	31,577,757	2,419,464	240,200	33,757,021
Total accumulated depreciation	$ 42,312,794	$3,342,125	$ 472,428	$ 45,182,491
Total capital assets, being depreciated, net	$ 68,926,728	$ (332,111)	$ 28,121	$ 68,566,496
Business-type activities capital assets, net	$ 76,070,041	$1,571,638	$2,350,773	$ 75,290,906

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

Business-type activities:	
Water works	$1,391,895
Sewer rental	1,431,817
Other business-type funds	518,413
Total depreciation expense—business-type activities	$3,342,125

(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 5.78% of their annual salary and the City is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 was $670,176, $649,477, and $540,431 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, 2013, members contributed 9.40% of regular earnable compensation and the City contributed 26.12 of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2013, 2012 and 2011 was $1,296,873, $1,234,743, and $1,032,595 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, 2013, there is one individual receiving benefits in the fire plan.

(7) Pension and Retirement Systems - continued

A summary of financial information relating to the plan as of June 30, 2013 is as follows:

	Fire
Cash and investments	$5,455
Fund equity	5,532
Pensions paid	6,790

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

Basis of Accounting

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

Method Used to Value Investments

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

(C) Trend Information

Firemen Pension Plan

	Revenues			Expenses
Fiscal Year	Investment Income	Property Taxes	Totals	Benefits
2013	$ -	$ 7,201	$ 7,201	$ 6,790
2012	-	6,897	6,897	6,697
2011	7	-	7	6,576
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

(8) Deferred Compensation Plan

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

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

(9) Long-Term Debt

Long-term debt of the City is as follows:

	Governmental	Business-Type
3.50% to 3.60% Essential Corporate Purpose bond payable, issued 11/1/05	$ 270,000	$ 750,000
3.75% to 3.90% Taxable General Obligation bond payable, issued 9/1/06	1,290,000	-
3.85% to 4.15% Taxable General Obligation bond payable, issued 9/4/07	590,000	1,935,000
3.50% to 4.10% General Obligation bond payable, issued 7/1/08	1,485,000	330,000
3.50% to 4.35% General Obligation bond payable, issued 7/1/08	1,995,000	-
2.375% to 4.375% Taxable General Obligation bond payable, issued 7/1/09	7,925,000	665,000
1.50% to 2.90% General Obligation bond payable, issued 8/1/10	1,470,000	850,000
1.00 to 2.80% General Obligation bond payable issued 8/1/10	3,450,000	-
0.45% to 1.85% General Obligation bond payable, issued 8/31/11	1,431,557	548,443
0.50% to 2.80% General Obligation bond payable, issued 8/31/11	945,000	-
4.125% General Obligation Capital Loan note payable, issued 5/5/04	-	53,169
2.74% Taxable General Obligation Capital Loan note payable, issued 4/20/10	-	70,000
0.40% to 1.70% General Obligation bond payable, issued 8/7/12	1,325,000	850,000
0.50% to 1.40% General Obligation bond payable, issued 8/7/12	890,000	-
3.00% Water Revenue Capital Loan note payable, issued 2/26/03, callable 6/01/13 at par	-	8,785,603
4.00% Water Revenue bond payable, issued 9/1/06	-	905,000
4.12% to 4.35% Water Revenue bond payable, issued 9/1/07	-	740,000
3.90% Sewer Revenue bond payable, issued 9/1/06	-	645,000
3.00% Sewer Revenue bond payable, issued 8/15/08	-	10,895,670
Totals	$23,066,557	$28,022,885

(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 $29,118,170 of general obligation bonds outstanding as of June 30, 2013. Unmatured general obligation bonds to be paid by governmental funds totaled $23,066,557. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled $6,051,613.

During the year ended June 30, 2013, the City issued $3,160,000 of general obligation bonds. These bonds were used to refund previous bond issues and construction, reconstruction and repair of various public works, parks and utility-related improvements.

General Obligation Debt Refunding

The City issued, on August 7, 2013, $890,000 of general obligation refunding bonds to advance refund the remaining $860,000 of TIF revenue obligation bonds, dated April 1, 2003. $860,000 of the proceeds were deposited with an escrow agent to purchase United States Treasury notes. Under the terms of the escrow agreement, the escrow fund was irrevocably pledged to the payment of the principal of the refunded bonds on the June 1, 2013 call date. Since this refunding took place within the fiscal year, the reacquisition price equaled the net carrying amount of the old debt.

The refunding decreased the City's aggregate debt service payments to maturity by $116,125, resulting in an economic gain (difference between present values of the debt service payments on the old and new debt) of $112,418.

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 $21,971,273 of revenue bonds outstanding as of June 30, 2013, 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 $2,623,287. The City has reserved $2,854,934 as of June 30, 2013. The combined principal and interest paid for the current year and total customer net revenues were $2,611,520 and $5,065,624, respectively, amounting to approximately 51% 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, 2013, there were no tax increment financing bonds outstanding.

(9) Long-Term Debt – continued

Long-term liability activity for the year ended June 30, 2013, was as follows:

	July 1, 2012	New Issues	Payments	June 30, 2013	Due Within One Year
General obligation:					
Governmental	$24,004,077	$2,215,000	$3,152,520	$23,066,557	$3,024,646
Business-type activities:					
Water	$ 3,086,481	$ 945,000	$ 639,239	$ 3,392,242	$ 651,452
Sewer	2,914,442	-	378,240	2,536,202	393,902
Ambulance	205,085	-	81,916	123,169	86,116
Storm sewer	100,000	-	100,000	-	-
Total business-type	$ 6,306,008	$ 945,000	$1,199,395	$ 6,051,613	$1,131,470
Revenue:					
Governmental tax increment financing	$ 1,049,774	$ -	$1,049,774	$ -	$ -
Business-type:					
Water	$11,459,085	$ 9,518	$1,038,000	$10,430,603	$1,071,000
Sewer	12,361,933	2,737	824,000	11,540,670	851,000
Total business-type	$23,821,018	$ 12,255	$1,862,000	$21,971,273	$1,922,000
Total	$55,180,877	$3,172,255	$7,263,689	$51,089,443	$6,078,116

At June 30, 2013, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation – real property	$1,656,947,118
Debt limit – 5% of total valuation	$82,847,356
Debt applicable to debt limit:	
General obligation bonded debt outstanding	28,995,000
Legal debt margin	$53,852,356

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

	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 3,024,646	$ 695,679	$1,131,470	$175,008	$ 4,156,116	$ 870,687
2015	3,066,911	628,087	1,125,143	150,459	4,192,054	778,546
2016	2,775,000	556,401	830,000	122,579	3,605,000	678,980
2017	2,760,000	482,607	475,000	96,481	3,235,000	579,088
2018	2,460,000	404,036	490,000	83,076	2,950,000	487,112
2019-2023	5,885,000	1,107,415	2,000,000	181,643	7,885,000	1,289,058
2024-2028	2,515,000	455,948	-	-	2,515,000	455,948
2029-2033	580,000	25,375	-	-	580,000	25,375
	$23,066,557	$4,355,548	$6,051,613	$809,246	$29,118,170	$5,164,794

	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ -	$ -	$ 1,922,000	$ 687,850	$ 1,922,000	$ 687,850
2015	-	-	1,992,000	624,220	1,992,000	624,220
2016	-	-	1,719,000	558,165	1,719,000	558,165
2017	-	-	1,777,000	503,430	1,777,000	503,430
2018	-	-	1,831,000	446,000	1,831,000	446,000
2019-2023	-	-	8,100,000	1,464,450	8,100,000	1,464,450
2024-2028	-	-	3,938,000	491,880	3,938,000	491,880
2029-2033	-	-	866,000	25,980	866,000	25,980
	$ -	$ -	$22,145,000	$4,801,975	$22,145,000	$4,801,975

(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, 2013, there were two series of Industrial Revenue Bonds outstanding, with a principal amount payable of $7,062,998.

(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 First Administration, Inc. 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 $3,333,071 for the year ended June 30, 2013 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.

(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, 2013 is $543,200 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2013 is as follows:

	Beginning of fiscal year liability	Current year claims and changes in estimates	Claim payments	End of fiscal year liability
Current year	$547,900	$3,500,943	$3,453,043	$595,800
Prior year	708,702	3,508,273	3,669,075	547,900

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:	
FMA Voluntary Acquisition	$199,477
South Eisenhower TIF	14,614
Softball Improvement Trust	11,296
CEBA	355
PDM - FEMA	254
Debt Service Fund	10,025

The deficit in the South Eisenhower 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, PDM-FEMA and Softball Improvement funds will be eliminated by grant proceeds and interfund transfers from the General Fund.

The Debt Service fund deficit will be eliminated by property tax receipts and bond proceeds.

(13) Termination Benefits

As of June 30, 2013, the City had two 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 2013, the City contributed $38,349 and retirees receiving benefits contributed $215,043 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 (ARC) of the employer, 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.

(14) Other Postemployment Benefits - continued

Annual required contribution	$208,399
Interest on net OPEB obligation	13,353
Adjustment to annual required contribution	(41,570)
Annual OPEB cost/expense	$180,182
Contributions and payments made	(27,748)
Increase in net OPEB obligation	$152,434
Net OPEB obligation July 1, 2012	534,129
Net OPEB obligation June 30, 2013	$686,563

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013:

Fiscal Year Ended	Annual OPEB Cost	Percentage of annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$190,456	14.5%	$686,563
June 30, 2012	198,770	19.2	534,129
June 30, 2011	133,033	23.7	383,732

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was $1,445,475. 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 $13,727,810, and the ratio of the UAAL to the covered payroll was 10.53%.

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.

(14) Other Postemployment Benefits - continued

In the July 1, 2011 actuarial valuation, entry age normal actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate assuming funding based on the City's funding policy. The projected annual medical trend rate is six percent. The ultimate medical trend rate is six percent and an inflation rate of zero percent is assumed for this computation.

The amortization method is open period. 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, 2013, the following construction and purchase commitments had been made:

	Total Contracts	Costs Incurred
Storm sewer projects	$ 7,451,919	$6,122,639
Sewer projects	2,360,580	2,044,896
Street projects	2,308,286	379,520
Police department projects	1,105,281	22,923
Community & economic development projects	630,832	475,165
Water projects	526,249	294,309
Other	384,615	160,867
Total	$14,767,762	$9,500,319

(16) Related Party Transactions

The City had material business transactions between the City and City officials, totaling $3,233,432 during the year ended June 30, 2013 of which $3,092,392 was competitively bid.

(17) Fund Balances

The details for the City's fund balance for the year ended June 30, 2013 are as follows:

	General	Road Use Tax	Debt Service	Nonmajor Governmental	Total
Nonspendable:					
Endowment principal	$ -	$ -	$ -	$ 633,638	$ 633,638
Prepaid expenses	143,958	13,115	-	-	157,073
Total nonspendable	$ 143,958	$ 13,115	$ -	$ 633,638	$ 790,711
Restricted for:					
Streets and road construction	$ -	$3,493,336	$ -	$ 49,418	$ 3,542,754
Employee benefits	-	-	-	5,789,459	5,789,459
Economic development projects	-	-	-	941,498	941,498
Grant qualified projects	-	-	-	11,377	11,377
Street and park improvements	-	-	-	1,813,386	1,813,386
Museum funding	-	-	-	326,155	326,155
Cemetery perpetual care	-	-	-	536,073	536,073
Tort liability	1,214,910	-	-	-	1,214,910
Total restricted	$1,214,910	$3,493,336	$ -	$9,467,366	$14,175,612

(17) Fund Balances - continued

	General	Road Use Tax	Debt Service	Nonmajor Governmental	Total
Assigned for:					
Airport	$ 144,553	$ -	$ -	$ -	$ 144,553
Museum	-	-	-	603,683	603,683
Library	-	-	-	402,297	402,297
Youth softball complex	-	-	-	56,268	56,268
Total assigned	$ 144,553	$ -	$ -	$ 1,062,248	$ 1,206,801
Unassigned	$5,542,781	$ -	$(10,025)	$ (232,357)	$ 5,300,399
Total fund balance	$7,046,202	$3,506,451	$(10,025)	$10,930,895	$21,473,523

(18) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2013, disbursements did not exceed the amount budgeted.

(19) Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 31, 2013, the date the financial statements were issued.

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

Sanitation projects	$ 421,605
Park and recreation projects	268,900
Water projects	183,500
Police department projects	156,445
Street projects	62,660
Fire department projects	59,751
Other projects	87,210
	$1,240,071

The City issued $895,000 of general obligation bonds dated August 20, 2013 payable over a five-year period at an interest rate of 2.0%.

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

The City has implemented the following GASB standards during the fiscal year ended June 30, 2013:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements;* issued November 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements. The adoption of this Statement has no effect on the City in the current year.

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

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The adoption of this Statement has no effect on the City in the current year.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* issued December 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance. The adoption of this Statement has no effect on the City in the current year.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;* issued June 2011. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The required changes have been made to the City's current year financial statements.

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

Statement No. 65, *Items Previously Reported as Assets and Liabilities,* issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrections – 2012 – an amendment to GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider.

Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

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

Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MASON CITY, IOWA
OTHER POST EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c}]
2013	7/1/2011	$ -	$1,445,475	$1,445,475	0.00%	$13,727,810	10.53%
2012	7/1/2011	-	1,463,752	1,463,752	0.00	14,275,269	10.25
2011	7/1/2009	-	988,388	988,388	0.00	13,670,291	7.23
2010	7/1/2009	-	973,974	973,974	0.00	13,410,686	7.26
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, 2011.

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: combined inflation and health care cost trend rate 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, 2013

	HMPG Voluntary Acquisition	FMA Voluntary Acquisition	PDM FEMA
ASSETS:			
Cash	$ -	$ -	$ 143
Investments	-	-	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	-	-
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Due from other funds	-	-	-
Due from state government	281,731	79,456	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	**$281,731**	**$ 79,456**	**$ 143**
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	$ 718	$ 734	$ -
Salaries payable	92	102	397
Contracts payable	19,060	149,209	-
Due to other funds	202,532	128,888	-
Due to state government	-	-	-
Deferred revenue	-	-	-
Total liabilities	$222,402	$ 278,933	$ 397
Fund balance:			
Nonspendable	$ -	$ -	$ -
Restricted	59,329	-	-
Assigned	-	-	-
Unreserved	-	(199,477)	(254)
Total fund balance	$ 59,329	$(199,477)	$ (254)
Total liabilities and fund balance	**$281,731**	**$ 79,456**	**$ 143**

(continued)

Community Growth TIF	Westside TIF	Forest Park TIF	Gateway TIF	South Eisenhower TIF	Police Retirement
$350,905	$98,019	$6,389	$50,600	$ -	$ 317,668
-	-	-	-	-	2,634,706
7,103	-	-	1,934	86	522,686
-	-	-	-	-	8,338
16,935	-	-	-	-	-
135,480	-	-	-	-	-
331,419	-	-	15,055	-	-
1,298	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$843,140	**$98,019**	**$6,389**	**$67,589**	**$ 86**	**$3,483,398**
$ 2,091	$ -	$ 300	$ -	$ -	$ -
426	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	14,700	13,125
-	-	-	-	-	-
135,480	-	-	-	-	518,000
$137,997	$ -	$ 300	$ -	$ 14,700	$ 531,125
$ -	$ -	$ -	$ -	$ -	$ -
705,143	98,019	6,089	67,589	-	2,952,273
-	-	-	-	-	-
-	-	-	-	(14,614)	-
$705,143	$98,019	$6,089	$67,589	$(14,614)	$2,952,273
$843,140	**$98,019**	**$6,389**	**$67,589**	**$ 86**	**$3,483,398**

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2013

	Fire Retirement	Employee Retirement	Library Trust
ASSETS:			
Cash	$ 346,067	$335,795	$ 77,434
Investments	2,088,128	-	324,994
Receivables:			
Property taxes	416,770	356,838	-
Accrued interest	4,225	-	505
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Due from other funds	13,125	36,671	-
Due from state government	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	**$2,868,315**	**$729,304**	**$402,933**
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	$ -	$ -	$ 636
Salaries payable	-	-	-
Contracts payable	-	-	-
Due to other funds	-	-	-
Due to state government	-	-	-
Deferred revenue	413,000	347,433	-
Total liabilities	$ 413,000	$347,433	$ 636
Fund balance:			
Nonspendable	$ -	$ -	$ -
Restricted	2,455,315	381,871	-
Assigned	-	-	402,297
Unassigned	-	-	-
Total fund balance	$2,455,315	$381,871	$402,297
Total liabilities and fund balance	**$2,868,315**	**$729,304**	**$402,933**

(continued)

MacNider Museum Foundation	Other Special Revenue	Total Special Revenue	19th St SW Overpass	Local Option Capital Improvement	Total Capital Project
$ 43,148	$ 74,814	$1,700,982	$49,418	$1,669,069	$1,718,487
560,535	-	5,608,363	-	-	-
-	-	1,305,417	-	-	-
-	-	13,068	-	653	653
-	-	16,935	-	-	-
-	-	135,480	-	-	-
-	4,468	400,738	-	-	-
-	31,173	393,658	-	150,131	150,131
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$603,683	**$110,455**	**$9,574,641**	**$49,418**	**$1,819,853**	**$1,869,271**
$ -	$ 10,901	$ 15,380	$ -	$ 6,467	$ 6,467
-	358	1,375	-	-	-
-	800	169,069	-	-	-
-	42,683	401,928	-	-	-
-	751	751	-	-	-
-	-	1,413,913	-	-	-
$ -	$ 55,493	$2,002,416	$ -	$ 6,467	$ 6,467
$ -	$ -	$ -	$ -	$ -	$ -
-	16,706	6,742,334	49,418	1,813,386	1,862,804
603,683	56,268	1,062,248	-	-	-
-	(18,012)	(232,357)	-	-	-
$603,683	$ 54,962	$7,572,225	$49,418	$1,813,386	$1,862,804
$603,683	**$110,455**	**$9,574,641**	**$49,418**	**$1,819,853**	**$1,869,271**

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2013

	Cemetery Perpetual Care	MacNider Museum Trust	Total Permanent	Total Nonmajor Governmental
ASSETS:				
Cash	$ -	$323,184	$ 323,184	$3,742,653
Investments	-	633,638	633,638	6,242,001
Receivables:				
Property taxes	-	-	-	1,305,417
Accrued interest	-	1,762	1,762	15,483
Special assessments - current	-	-	-	16,935
Special assessments - deferred	-	-	-	135,480
Due from other funds	103,645	1,209	104,854	505,592
Due from state government	-	-	-	543,789
Restricted assets:				
Cash	25,206	-	25,206	25,206
Investments	485,148	-	485,148	485,148
Accrued interest	735	-	735	735
Total assets	**$614,734**	**$959,793**	**$1,574,527**	**$13,018,439**
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ 21,847
Salaries payable	-	-	-	1,375
Contracts payable	-	-	-	169,069
Due to other funds	78,661	-	78,661	480,589
Due to state government	-	-	-	751
Deferred revenue	-	-	-	1,413,913
Total liabilities	$ 78,661	$ -	$ 78,661	$ 2,087,544
Fund balance:				
Nonspendable	$ -	$633,638	$ 633,638	$ 633,638
Restricted	536,073	326,155	862,228	9,467,366
Assigned	-	-	-	1,062,248
Unassigned	-	-	-	(232,357)
Total fund balance	$536,073	$959,793	$1,495,866	$10,930,895
Total liabilities and fund balance	**$614,734**	**$959,793**	**$1,574,527**	**$13,018,439**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	HMPG Voluntary Acquisition	FMA Voluntary Acquisition	PDM FEMA
REVENUES:			
Property taxes	$ -	$ -	$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	2,472,410	85,180	23,528
Charges for service	-	-	-
Use of money and property	-	-	-
Special assessments	-	-	-
Miscellaneous	-	-	(930)
Total revenues	$2,472,410	$ 85,180	$22,598
EXPENDITURES:			
Current:			
Public safety	$ -	$ -	$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	2,419,181	234,246	25,517
General government	-	-	-
Capital projects	-	-	-
Total expenditures	$2,419,181	$ 234,246	$25,517
Excess (deficiency) of revenues over (under) expenditures	$ 53,229	$(149,066)	$(2,919)
Other financing sources (uses):			
Transfers in	$ -	$ -	$ -
Transfers out	-	-	-
Total other financing sources (uses)	$ -	$ -	$ -
Net change in fund balances	$ 53,229	$(149,066)	$(2,919)
Fund balance beginning of year	6,100	(50,411)	2,665
Fund balance end of year	**$ 59,329**	**$(199,477)**	**$ (254)**

(continued)

Community Growth TIF	Westside TIF	Forest Park TIF	Gateway TIF	South Eisenhower TIF	Police Retirement
$ -	$ -	$ -	$ -	$ -	$ 435,076
788,775	-	-	611,174	9,335	-
-	-	-	-	-	-
64,325	-	-	-	-	-
-	103,630	-	-	-	-
8,997	23	-	-	-	(103,748)
33,020	-	-	-	-	-
60,000	-	-	-	-	-
$ 955,117	$103,653	$ -	$611,174	$ 9,335	$ 331,328
$ -	$ -	$ -	$ -	$ -	$ 667,068
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
416,917	6,459	525	527,483	-	-
-	-	-	-	-	-
426	-	-	-	-	-
$ 417,343	$ 6,459	$ 525	$527,483	$ -	$ 667,068
$ 537,774	$ 97,194	$ (525)	$ 83,691	$ 9,335	$ (335,740)
$ -	$ -	$ -	$ -	$ -	$ -
(712,914)	-	-	-	-	-
$(712,914)	$ -	$ -	$ -	$ -	$ -
$(175,140)	$ 97,194	$ (525)	$ 83,691	$ 9,335	$ (335,740)
880,283	825	6,614	(16,102)	(23,949)	3,288,013
$ 705,143	**$ 98,019**	**$6,089**	**$ 67,589**	**$(14,614)**	**$2,952,273**

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	Fire Retirement	Employee Retirement	Library Trust
REVENUES:			
Property taxes	$ 350,062	$510,844	$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	3,783
Use of money and property	(48,685)	-	(31,766)
Special assessments	-	-	-
Miscellaneous	-	-	35,062
Total revenues	$ 301,377	$510,844	$ 7,079
EXPENDITURES:			
Current:			
Public safety	$ 491,451	$147,635	$ -
Public works	-	44,113	-
Health & social services	-	29,918	-
Culture & recreation	-	99,370	57,333
Community & economic development	-	28,465	-
General government	-	122,468	-
Capital projects	-	-	9,547
Total expenditures	$ 491,451	$471,969	$ 66,880
Excess (deficiency) of revenues over (under) expenditures	$ (190,074)	$ 38,875	$(59,801)
Other financing sources (uses):			
Transfers in	$ -	$ -	$ -
Transfers out	-	-	(27,800)
Total other financing sources (uses)	$ -	$ -	$(27,800)
Net change in fund balances	$ (190,074)	$ 38,875	$(87,601)
Fund balance beginning of year	2,645,389	342,996	489,898
Fund balance end of year	**$2,455,315**	**$381,871**	**$402,297**

(continued)

MacNider Museum Foundation	Other Special Revenue	Total Special Revenue	19th St SW Overpass	Local Option Capital Improvement	Total Capital Project
$ -	$ -	$1,295,982	$ -	$ -	$ -
-	-	1,409,284	-	-	-
-	-	-	-	1,785,734	1,785,734
-	727,406	3,372,849	-	-	-
-	17,226	124,639	-	-	-
72,967	34,054	(68,158)	-	1,693	1,693
-	-	33,020	-	-	-
19,478	14,876	128,486	-	-	-
$ 92,445	$793,562	$6,296,102	$ -	$ 1,787,427	$ 1,787,427
$ -	$ -	$1,306,154	$ -	$ -	$ -
-	-	44,113	12,355	20,000	32,355
-	-	29,918	-	-	-
329,887	37,533	524,123	-	-	-
-	807,487	4,466,280	-	-	-
-	-	122,468	-	-	-
-	7,637	17,610	-	249,948	249,948
$ 329,887	$852,657	$6,510,666	$ 12,355	$ 269,948	$ 282,303
$(237,442)	$(59,095)	$ (214,564)	$(12,355)	$ 1,517,479	$ 1,505,124
$ -	$ 75,905	$ 75,905	$ 98,836	$ -	$ 98,836
-	-	(740,714)	-	(1,754,968)	(1,754,968)
$ -	$ 75,905	$ (664,809)	$ 98,836	$(1,754,968)	$(1,656,132)
$(237,442)	$ 16,810	$ (879,373)	$ 86,481	$ (237,489)	$ (151,008)
841,125	38,152	8,451,598	(37,063)	2,050,875	2,013,812
$ 603,683	**$ 54,962**	**$7,572,225**	**$ 49,418**	**$ 1,813,386**	**$ 1,862,804**

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	Cemetery Perpetual Care	MacNider Museum Trust	Total Permanent	Total Nonmajor Governmental
REVENUES:				
Property taxes	$ -	$ -	$ -	$ 1,295,982
TIF revenues	-	-	-	1,409,284
Other taxes	-	-	-	1,785,734
Intergovernmental	-	-	-	3,372,849
Charges for services	8,517	-	8,517	133,156
Use of money and property	-	5,837	5,837	(60,628)
Special assessments	-	-	-	33,020
Miscellaneous	-	354,707	354,707	483,193
Total revenues	$ 8,517	$360,544	$ 369,061	$ 8,452,590
EXPENDITURES:				
Current:				
Public safety	$ -	$ -	$ -	$ 1,306,154
Public works	-	-	-	76,468
Health & social services	-	-	-	29,918
Culture & recreation	260	196,864	197,124	721,247
Community & economic development	-	-	-	4,466,280
General government	-	-	-	122,468
Capital projects	-	-	-	267,558
Total expenditures	$ 260	$196,864	$ 197,124	$ 6,990,093
Excess (deficiency) of revenues over (under) expenditures	$ 8,257	$163,680	$ 171,937	$ 1,462,497
Other financing sources (uses):				
Transfers in	$ -	$ -	$ -	$ 174,741
Transfers out	-	(13,300)	(13,300)	(2,508,982)
Total other financing sources (uses)	$ -	$(13,300)	$ (13,300)	$(2,334,241)
Net change in fund balances	$ 8,257	$150,380	$ 158,637	$ (871,744)
Fund balance beginning of year	527,816	809,413	1,337,229	11,802,639
Fund balance end of year	**$536,073**	**$959,793**	**$1,495,866**	**$10,930,895**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
HMGP VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental:			
Federal assistance	$3,660,347	$2,472,410	$(1,187,937)
EXPENDITURES			
Current:			
Community & economic development:			
Personal service	$ 51,547	$ 19,655	$ 31,892
Contractual	3,555,477	2,381,705	1,173,772
Commodities	53,323	18,062	35,261
Other	-	(241)	241
Total expenditures	$3,660,347	$2,419,181	$ 1,241,166
Net change in fund balance	$ -	$ 53,229	$ 53,229
Fund balance beginning of year	-	6,100	6,100
Fund balance end of year	**$ -**	**$ 59,329**	**$ 59,329**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
FMA VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental:			
Federal assistance	$2,100,000	$ 85,180	$(2,014,820)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	$ -	$ 9,324	$ (9,324)
Contractual	2,100,000	224,088	1,875,912
Commodities	-	974	(974)
Other	-	(140)	140
Total expenditures	$2,100,000	$ 234,246	$ 1,865,754
Net change in fund balance	$ -	$(149,066)	$ (149,066)
Fund balance beginning of year	-	(50,411)	(50,411)
Fund balance end of year	**$ -**	**$(199,477)**	**$ (199,477)**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	$ 843,100	$ 788,775	$ (54,325)
Intergovernmental	578,041	64,325	(513,716)
Service revenue	-	-	-
Use of money and property	-	8,997	8,997
Special assessments	-	33,020	33,020
Miscellaneous	-	60,000	60,000
Total revenues	$1,421,141	$ 955,117	$ (466,024)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	$ -	$ 628	$ (628)
Contractual	1,367,164	301,171	1,065,993
Commodities	-	115,118	(115,118)
Total community & economic development	$1,367,164	$ 416,917	$ 950,247
Capital projects	-	426	(426)
Total expenditures	$1,367,164	$ 417,343	$ 949,821
Excess (deficiency) of revenues over (under) expenditures	$ 53,977	$ 537,774	$ 483,797
Other financing sources (uses):			
Issuance of bonds	$ 500,000	$ -	$ (500,000)
Transfers out	(710,137)	(712,914)	(2,777)
Total other financing sources (uses)	$ (210,137)	$(712,914)	$ (502,777)
Net change in fund balance	$ (156,160)	$(175,140)	$ (18,980)
Fund balance beginning of year	-	880,283	880,283
Fund balance end of year	**$ (156,160)**	**$ 705,143**	**$ 861,303**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
FOREST PARK TIF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
None	$ -	$ -	$ -
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	$ 2,000	$ -	$ 2,000
Commodities	-	525	(525)
Total community & economic development	$ 2,000	$ 525	$(1,475)
Net change in fund balance	$(2,000)	$ (525)	$ 1,475
Fund balance beginning of year	-	6,614	6,614
Fund balance end of year	**$(2,000)**	**$6,089**	**$ 8,089**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	$684,024	$611,174	$(72,850)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	$684,024	$527,483	$156,541
Net change in fund balance	$ -	$ 83,691	$ 83,691
Fund balance beginning of year	-	(16,102)	(16,102)
Fund balance end of year	**$ -**	**$ 67,589**	**$ 67,589**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property taxes	$ 428,137	$ 435,076	$ 6,939
Other taxes	6,863	-	(6,863)
Use of money and property:			
Interest on investments	120,000	(103,748)	(223,748)
Total revenues	$ 555,000	$ 331,328	$ (223,672)
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	$ 705,000	$ 667,058	$ 37,942
Commodities	-	10	(10)
Total expenditures	$ 705,000	$ 667,068	$ 37,932
Net change in fund balance	$(150,000)	$ (335,740)	$ (185,740)
Fund balance beginning of year	-	3,288,013	3,288,013
Fund balance end of year	**$(150,000)**	**$2,952,273**	**$3,102,273**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property taxes	$ 341,469	$ 350,062	$ 8,593
Other taxes	8,531	-	(8,531)
Use of money and property:			
Interest on investments	100,000	(48,685)	(148,685)
Total revenues	$ 450,000	$ 301,377	$ (148,623)
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	$ 600,000	$ 491,446	$ 108,554
Commodities	-	5	(5)
Total expenditures	$ 600,000	$ 491,451	$ 108,549
Net change in fund balance	$(150,000)	$ (190,074)	$ (40,074)
Fund balance beginning of year	-	2,645,389	2,645,389
Fund balance end of year	**$(150,000)**	**$2,455,315**	**$2,605,315**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property taxes	$ 500,863	$510,844	$ 9,981
Other city tax	10,018	-	(10,018)
Total revenues	$ 510,881	$510,844	$ (37)
EXPENDITURES:			
Current:			
Public safety	$ 147,144	$147,635	$ (491)
Public works	46,409	44,113	2,296
Health & social services	31,492	29,918	1,574
Culture & recreation	99,268	99,370	(102)
Community & economic development	29,626	28,465	1,161
General government	203,942	122,468	81,474
Total expenditures	$ 557,881	$471,969	$ 85,912
Net change in fund balance	$ (47,000)	$ 38,875	$ 85,875
Fund balance beginning of year	-	342,996	342,996
Fund balance end of year	**$ (47,000)**	**$381,871**	**$428,871**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Charges for service	$ 23,500	$ 3,783	$(19,717)
Use of money and property	10,000	(31,766)	(41,766)
Miscellaneous	-	35,062	35,062
Total revenues	$ 33,500	$ 7,079	$(26,421)
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	$ 26,000	$ 41,840	$(15,840)
Commodities	5,000	15,499	(10,499)
Other	-	(6)	6
Total culture & recreation	$ 31,000	$ 57,333	$(26,333)
Capital projects	18,000	9,547	8,453
Total expenditures	$ 49,000	$ 66,880	$(17,880)
Excess (deficiency) of revenues over (under) expenditures	$(15,500)	$(59,801)	$(44,301)
Other financing sources (uses):			
Transfers out	(46,450)	(27,800)	18,650
Net change in fund balance	$(61,950)	$(87,601)	$(25,651)
Fund balance beginning of year	-	489,898	489,898
Fund balance end of year	**$(61,950)**	**$402,297**	**$464,247**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental:			
Federal assistance	$255,000	$22,450	$(232,550)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	$ 20,000	$ 1,845	$ 18,155
Contractual	235,000	23,718	211,282
Total expenditures	$255,000	$25,563	$ 229,437
Excess (deficiency) of revenues over (under) expenditures	$ -	$(3,113)	$ (3,113)
Other financing sources (uses):			
Transfers in	-	15,000	(15,000)
Net change in fund balance	$ -	$11,887	$ 11,887
Fund balance beginning of year	-	(6,558)	(6,558)
Fund balance end of year	**$ -**	**$ 5,329**	**$ 5,329**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Charges for service	$30,007	$ 3,571	$(26,436)
Use of money and property	-	14,929	14,929
Total revenues	$30,007	$ 18,500	$(11,507)
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	$ 2,500	$ 2,150	$ 350
Contractual	2,800	(308)	3,108
Commodities	18,207	15,496	2,711
Total culture & recreation	$23,507	$ 17,338	$ 6,169
Capital projects	6,500	4,177	2,323
Total expenditures	$30,007	$ 21,515	$ 8,492
Net change in fund balance	$ -	$ (3,015)	$ (3,015)
Fund balance beginning of year	-	(8,281)	(8,281)
Fund balance end of year	**$ -**	**$(11,296)**	**$(11,296)**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Charges for service	$37,100	$13,655	$(23,445)
Use of money and property	-	19,125	19,125
Total revenues	$37,100	$32,780	$ (4,320)
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	$ 7,100	$ 1,240	$ 5,860
Commodities	27,200	18,955	8,245
Total culture & recreation	$34,300	$20,195	$ 14,105
Capital projects	2,800	3,459	(659)
Total expenditures	$37,100	$23,654	$ 13,446
Net change in fund balance	$ -	$ 9,126	$ 9,126
Fund balance beginning of year	-	47,140	47,140
Fund balance end of year	**$ -**	**$56,266**	**$ 56,266**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
PDM – FEMA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Intergovernmental	$685,000	$23,528	$(661,472)
Miscellaneous	-	(930)	(930)
Total revenues	$685,000	$22,598	$(662,402)
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	$ 6,000	$ 1,890	$ 4,110
Contractual	679,000	23,627	655,373
Total culture & recreation	$685,000	$25,517	$ 659,483
Net change in fund balance	$ -	$(2,919)	$ (2,919)
Fund balance beginning of year	-	2,665	2,665
Fund balance end of year	**$ -**	**$ (254)**	**$ (254)**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property tax	$ 3,219,782	$3,280,678	$ 60,896
Other taxes	61,546	-	(61,546)
Use of money and property	-	3,068	3,068
Miscellaneous	99,000	-	(99,000)
Total revenues	$ 3,380,328	$3,283,746	$ (96,582)
EXPENDITURES:			
Debt service:			
Principal redemption	$ 5,442,712	$3,342,294	$ 2,100,418
Interest payments	-	818,835	(818,835)
Contractual	113,450	52,780	60,670
Total debt service	$ 5,556,162	$4,213,909	$ 1,342,253
Excess (deficiency) of revenues over (under) expenditures	$(2,175,834)	$ (930,163)	$ 1,245,671
Other financing sources (uses):			
Proceeds from refunding bonds	$ -	$ 890,000	$ (890,000)
Payment to refunding fiscal agent	-	(860,000)	860,000
Issuance of general obligation bonds	-	100,160	(100,160)
Discount on bonds issued	-	(12,485)	12,485
Transfers in	2,175,834	865,127	1,310,707
Transfers out	-	(54,040)	(54,040)
Total other financing sources (uses)	$ 2,175,834	$ 928,762	$(1,247,072)
Net change in fund balance	$ -	$ (1,401)	$ (1,401)
Fund balance beginning of year	-	(8,624)	(8,624)
Fund balance end of year	**$ -**	**$ (10,025)**	**$ (10,025)**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Other tax	$1,600,000	$1,785,734	$ 185,734
Use of money and property	-	1,693	1,693
Total revenues	$1,600,000	$1,787,427	$ 187,427
EXPENDITURES:			
Public works:			
Contractual	$ -	$ 20,000	$ (20,000)
Capital projects	248,200	249,948	(1,748)
Total expenditures	$ 248,200	$ 269,948	$ (21,748)
Excess (deficiency) of revenues over (under) expenditures	$1,351,800	$1,517,479	$ 165,679
Other financing sources (uses):			
Transfers out	(1,751,800)	(1,754,968)	(3,168)
Net change in fund balance	$ (400,000)	$ (237,489)	$ 162,511
Fund balance beginning of year	-	2,050,875	2,050,875
Fund balance end of year	**$ (400,000)**	**$1,813,386**	**$2,213,386**

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, 2013

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Use of money and property	$ 8,000	$ 5,837	$ (2,163)
Contributions	-	354,707	354,707
Miscellaneous	265,000	-	(265,000)
Total revenues	$273,000	$360,544	$ 87,544
EXPENDITURES:			
Current:			
Culture & recreation:			
Commodities	$300,000	$196,864	$103,136
Excess (deficiency) of revenues over (under) expenditures	$(27,000)	$163,680	$190,680
Other financing sources (uses):			
Transfers out	-	(13,300)	(13,300)
Net change in fund balance	$(27,000)	$150,380	$177,380
Fund balance beginning of year	-	809,413	809,413
Fund balance end of year	**$(27,000)**	**$959,793**	**$986,793**

See Accompanying Independent Auditor's Report.

PROPRIETARY FUNDS

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Cemetery	Storm Sewer
ASSETS:		
Current assets:		
Cash	$ 4,183	$ 886,977
Investments	50	-
Receivables:		
Property taxes	128,132	-
Accounts (net)	23,683	39,386
Accrued interest	28	37
Inventory	2,598	-
Due from other funds	78,660	2,491
Due from state government	-	-
Prepaid insurance	1,106	-
Total current assets	$238,440	$ 928,891
Property, plant and equipment:		
Land	$ -	$ -
Buildings	47,699	-
Equipment	185,314	24,728
Improvements	472,419	-
Vehicles	56,851	-
Storm sewer lines	-	4,260,170
Construction in progress	3,324	-
Less accumulated depreciation	(486,328)	(2,096,903)
Total property, plant and equipment	$279,279	$2,187,995
Total assets	$517,719	$3,116,886
LIABILITIES:		
Current liabilities:		
Accounts payable	$ 3,662	$ -
Salaries payable	4,694	-
Accrued compensated absences	15,940	-
Accrued interest payable	-	-
Due to other funds	103,645	848
Due to state government	-	-
General obligation notes	-	-
Prepaid interments	38,197	-
Unearned revenue	126,530	-
Total current liabilities	$292,668	$ 848
Long-term debt:		
General obligation notes	$ -	$ -
Net OPEB obligation	11,262	4,154
Total long-term debt	$ 11,262	$ 4,154
Total liabilities	$303,930	$ 5,002
Net position:		
Invested in capital assets, net of related debt	$279,279	$2,187,995
Unrestricted	(65,490)	923,889
Total net position	**$213,789**	**$3,111,884**

See Accompanying Independent Auditor's Report.

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
$ 39,174	$ 6,250	$ 41,970	$ 384,435	$ 1,362,989
50,000	-	-	300,000	350,050
-	-	-	-	128,132
172,319	8,470	19,339	674,336	937,533
3	-	-	321	389
-	4,476	-	78,957	86,031
-	-	-	-	81,151
684	-	-	-	684
672	1,862	-	1,580	5,220
$262,852	$ 21,058	$ 61,309	$1,439,629	$ 2,952,179
$ -	$196,813	$4,143,120	$ -	$ 4,339,933
461,278	553,873	-	408,710	1,471,560
12,606	369,578	-	571,846	1,164,072
-	75,066	2,584,991	-	3,132,476
817,768	18,533	13,000	836,842	1,742,994
-	-	-	-	4,260,170
-	-	-	18,694	22,018
(614,891)	(641,766)	(2,592,735)	(850,428)	(7,283,051)
$676,761	$572,097	$4,148,376	$ 985,664	$ 8,850,172
$939,613	$593,155	$4,209,685	$2,425,293	$11,802,351
$ 49,578	$ 44,252	$ 1,553	$ 22,840	$ 121,885
14,686	6,424	840	19,297	45,941
41,812	13,538	7,816	75,857	154,963
-	-	-	332	332
2,395	-	-	1,296	108,184
36,662	1,693	-	-	38,355
-	-	-	86,116	86,116
-	-	-	-	38,197
-	-	525	-	127,055
$145,133	$ 65,907	$ 10,734	$ 205,738	$ 721,028
$ -	$ -	$ -	$ 37,053	$ 37,053
33,499	5,003	3,212	31,535	88,665
$ 33,499	$ 5,003	$ 3,212	$ 68,588	$ 125,718
$178,632	$ 70,910	$ 13,946	$ 274,326	$ 846,746
$676,761	$572,097	$4,148,376	$ 862,495	$ 8,727,003
84,220	(49,852)	47,363	1,288,472	2,228,602
$760,981	**$522,245**	**$4,195,739**	**$2,150,967**	**$10,955,605**

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Cemetery	Storm Sewer
Operating revenues:		
Charges for service	$ 85,686	$ 292,207
Operating expenses:		
Business-type activities:		
Personal service	$ 247,387	$ (489)
Contractual	12,592	-
Commodities	18,683	17,446
Other	3,963	-
Depreciation	28,658	168,248
Total operating expenses	$ 311,283	$ 185,205
Operating income (loss)	$(225,597)	$ 107,002
Nonoperating revenues (expenses):		
Property taxes	$ 120,002	$ -
Intergovernmental	-	-
Fines and forfeitures	-	-
Use of money and property	(2,627)	608
Special assessments	-	-
Miscellaneous	41,234	415
Interest	-	(3,411)
Gain (loss) on sale of capital assets	-	-
Total nonoperating revenue (expenses)	$ 158,609	$ (2,388)
Income (loss) before contributions and transfers	$ (66,988)	$ 104,614
Contributions and transfers:		
Transfers in	$ 68,996	$ -
Capital contributions	-	52,090
Total contributions and transfers	$ 68,996	$ 52,090
Change in net position	$ 2,008	$ 156,704
Net position beginning of year	211,781	2,955,180
Net position end of year	**$ 213,789**	**$3,111,884**

See Accompanying Independent Auditor's Report.

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
$1,270,889	$353,697	$ 31,322	$1,906,929	$ 3,940,730
$ 729,674	$241,549	$ 54,432	$1,078,417	$ 2,350,970
350,216	50,108	50,692	83,507	547,115
85,747	100,204	192	119,351	341,623
383	125	-	918	5,389
88,687	36,161	14,434	182,225	518,413
$1,254,707	$428,147	$ 119,750	$1,464,418	$ 3,763,510
$ 16,182	$(74,450)	$ (88,428)	$ 442,511	$ 177,220
$ -	$ -	$ -	$ -	$ 120,002
(40,920)	-	-	-	(40,920)
-	-	45,480	-	45,480
95	30,221	56	670	29,023
7,043	-	-	-	7,043
2,062	1,997	-	21,894	67,602
-	-	-	(5,917)	(9,328)
-	-	-	(1,317)	(1,317)
$ (31,720)	$ 32,218	$ 45,536	$ 15,330	$ 217,585
$ (15,538)	$(42,232)	$ (42,892)	$ 457,841	$ 394,805
$ -	$ 11,000	$ 13,500	$ -	$ 93,496
-	-	-	-	52,090
$ -	$ 11,000	$ 13,500	$ -	$ 145,586
$ (15,538)	$(31,232)	$ (29,392)	$ 457,841	$ 540,391
776,519	553,477	4,225,131	1,693,126	10,415,214
$ 760,981	**$522,245**	**$4,195,739**	**$2,150,967**	**$10,955,605**

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

	Cemetery	Storm Sewer
Cash flows from operating activities:		
Cash received from customers	$ 83,760	$ 287,157
Cash paid to employees for services	(250,471)	-
Cash paid to other suppliers of goods or services	(36,286)	(16,736)
Proceeds from miscellaneous items	41,234	415
Net cash provided (used) by operating activities	$(161,763)	$ 270,836
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	$ 119,758	$ -
Transfers in	68,996	-
Net cash provided (used) by non-capital financing activities	$ 188,754	$ -
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	$ (70,359)	$ -
Proceeds from sale of capital assets	-	-
Principal payments	-	(100,000)
Interest payments	-	(3,719)
Net cash provided (used) for capital and related financing activities	$ (70,359)	$ (103,719)
Cash flows from investing activities:		
Proceeds from sale of investments	$ -	$1,150,000
Purchase of investments	-	(600,000)
Interest received	21,821	832
Rent received	-	-
Net cash provided (used) by investing activities	$ 21,821	$ 550,832
Net increase (decrease) in cash	$ (21,547)	$ 717,949
Cash beginning of year	25,730	169,028
Cash end of year	**$ 4,183**	**$ 886,977**
Noncash capital, investing and financing activities:		
Capital contributions	$ -	$ 52,090

(continued)

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
$1,250,395	$378,385	$ 13,055	$1,852,811	$3,865,563
(741,459)	(249,016)	(52,229)	(1,110,875)	(2,404,050)
(415,110)	(157,557)	(50,231)	(242,425)	(918,345)
9,105	4,216	45,660	21,894	122,524
$ 102,931	$(23,972)	$(43,745)	$ 521,405	$ 665,692
$ -	$ -	$ -	$ -	$ 119,758
-	11,000	13,500	-	93,496
$ -	$ 11,000	$ 13,500	$ -	$ 213,254
$ (144,165)	$(11,000)	$ -	$ (130,676)	$ (356,200)
-	-	-	3,000	3,000
-	-	-	(81,807)	(181,807)
-	-	-	(6,158)	(9,877)
$ (144,165)	$(11,000)	$ -	$ (215,641)	$ (544,884)
$ 200,000	$ -	$ 75,000	$ 400,000	$1,825,000
(150,000)	-	(75,000)	(600,000)	(1,425,000)
95	11	56	467	23,282
-	30,211	-	-	30,211
$ 50,095	$ 30,222	$ 56	$ (199,533)	$ 453,493
$ 8,861	$ 6,250	$(30,189)	$ 106,231	$ 787,555
30,313	-	72,159	278,204	575,434
$ 39,174	**$ 6,250**	**$ 41,970**	**$ 384,435**	**$1,362,989**
$ -	$ -	$ -	$ -	$ 52,090

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

	Cemetery	Storm Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$(225,597)	$107,002
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	28,658	168,248
Miscellaneous income	41,234	415
Change in assets and liabilities:		
(Increase) decrease in receivables	2,456	(5,051)
(Increase) decrease in inventory	(374)	-
(Increase) decrease in prepaid insurance	3	-
Increase (decrease) in accounts and contracts payable	(677)	-
Increase (decrease) in salaries payable	(4,213)	-
Increase (decrease) in accrued compensated absences	(1,349)	-
Increase (decrease) in due to other funds	-	711
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	(4,382)	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	2,478	(489)
Net cash provided (used) by operating activities	**$(161,763)**	**$270,836**

See Accompanying Independent Auditor's Report.

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
$ 16,182	$(74,450)	$(88,428)	$442,511	$177,220
88,687	36,161	14,434	182,225	518,413
9,105	1,997	45,480	21,894	120,125
(20,494)	-	(18,387)	(79,750)	(121,226)
-	12,437	-	(39,809)	(27,746)
389	9	-	-	401
20,283	7,250	1,353	1,415	29,624
(12,975)	(7,621)	(789)	(19,518)	(45,116)
(1,916)	1,077	2,313	4,813	4,938
564	(1,520)	(700)	(254)	(1,199)
-	(597)	-	-	(597)
-	-	-	-	(4,382)
-	-	300	-	300
3,106	1,285	679	7,878	14,937
$102,931	**$(23,972)**	**$(43,745)**	**$521,405**	**$665,692**

INTERNAL SERVICE FUNDS

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Central Services	Employee Health Care	Total
ASSETS:			
Current assets:			
Cash	$ 88,109	$ 184,637	$ 272,746
Investments	-	592,143	592,143
Receivables:			
Property taxes	-	496,053	496,053
Accrued interest	-	392	392
Due from other funds	22,160	-	22,160
Prepaid insurance	141	-	141
Total current assets	$110,410	$1,273,225	$1,383,635
Property, plant and equipment:			
Equipment	$105,098	$ -	$ 105,098
Vehicles	85,174	-	85,174
Total property, plant and equipment	$190,272	$ -	$190,272
Less accumulated depreciation	(163,952)	-	(163,952)
Net property, plant and equipment	$ 26,320	$ -	$ 26,320
Total assets	$136,730	$1,273,225	$1,409,955
LIABILITIES:			
Accounts payable	$ 2,819	$ 648,269	$ 651,088
Salaries payable	3,233	-	3,233
Accrued compensated absences	11,239	-	11,239
Unearned revenue	-	511,888	511,888
Total liabilities	$ 17,291	$1,160,157	$1,177,448
Net Position:			
Invested in capital assets, net of related debt	$ 26,320	$ -	$ 26,320
Unrestricted	93,119	113,068	206,187
Total net position	**$119,439**	**$ 113,068**	**$ 232,507**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Central Services	Employee Health Care	Total
Operating revenues:			
Charges for service	$284,328	$ -	$ 284,328
Health insurance contributions	-	2,456,406	2,456,406
Total operating revenues	$284,328	$ 2,456,406	$ 2,740,734
Operating expenses:			
Business type activities:			
Personal services	$183,591	$ 3,773,911	$ 3,957,502
Contractual	16,504	-	16,504
Commodities	29,094	-	29,094
Depreciation	10,627	-	10,627
Total operating expenses	$239,816	$ 3,773,911	$ 4,013,727
Operating income (loss)	$ 44,512	$(1,317,505)	$(1,272,993)
Nonoperating revenues (expenses):			
Property taxes	$ -	$ 715,127	$ 715,127
Use of money and property	-	(18,302)	(18,302)
Total nonoperating revenues (expenses)	$ -	$ 696,825	$ 696,825
Change in net position	$ 44,512	$ (620,680)	$ (576,168)
Net position beginning of year	74,927	733,748	808,675
Net position end of year	**$119,439**	**$ 113,068**	**$ 232,507**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

	Central Services	Employee Health Care	Total
Cash flows from operating activities:			
Cash received from interfund charges	$286,607	$ 2,049,070	$ 2,335,677
Cash received from employees and others	-	408,884	408,884
Cash paid to employees for services	(182,505)	-	(182,505)
Cash paid to suppliers	(44,528)	-	(44,528)
Cash paid for health and life insurance	-	(3,673,627)	(3,673,627)
Net cash provided (used) by operating activities	$ 59,574	$(1,215,673)	$(1,156,099)
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	$ -	$ 714,806	$ 714,806
Cash flows from investing activities:			
Proceeds from sale of investments	$ -	$ 921,081	$ 921,081
Purchase of investments	-	(917,000)	(917,000)
Interest received	-	14,746	14,746
Net cash provided (used) by investing activities	$ -	$ 18,827	$ 18,827
Net increase in cash	$ 59,574	$ (482,040)	$ (422,466)
Cash beginning of year	28,535	666,677	695,212
Cash end of year	**$ 88,109**	**$ 184,637**	**$ 272,746**
Noncash capital, investing and financing activities:			
Increase in fair market value of investments	$ -	$ (48,045)	$ (48,045)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ 44,512	$(1,317,505)	$(1,272,993)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	10,627	-	10,627
Change in assets and liabilities:			
(Increase) decrease in due from other funds	1,076	-	1,076
Increase (decrease) in accounts payable	2,279	100,069	102,348
Increase (decrease) in salaries payable	(2,927)	-	(2,927)
Increase (decrease) in compensated absences	4,013	-	4,013
Increase (decrease) in unearned revenues	-	1,763	1,763
Increase (decrease) in due to other funds	(6)	-	(6)
Net cash provided (used) by operating activities	**$ 59,574**	**$(1,215,673)**	**$(1,156,099)**

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, 2013

General capital assets:	
Land	$ 2,634,356
Buildings and structures	20,252,103
Improvements other than buildings	28,506,042
Machinery and equipment	6,005,751
Vehicles	8,867,562
Infrastructure	82,302,366
Construction in progress	23,059,329
Total general capital assets	**$171,627,509**
Investment in general capital assets by source:	
General fund	$171,627,509

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 position.

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, 2013

Function and Activity	Total	Land
Public Safety:		
Police	$ 3,406,928	$ 115,000
Fire	4,867,383	75,150
Civil Defense	225,118	-
Building	46,998	-
Inspectors	39,024	-
Neighborhood Services	816,846	-
Total public safety	$ 9,402,297	$ 190,150
Public Works:		
Airport	$ 28,148,144	$1,725,891
Street	5,163,630	31,363
Infrastructure	84,752,313	-
Arborist	145,819	-
Engineer	206,874	-
Total public works	$118,416,780	$1,757,254
Health and Social Services:		
Youth Task Force	$ 17,414	$ -
Health	20,660	-
Human Rights	35,081	-
Total health and social services	$ 73,155	$ -
Culture and Recreation:		
Parks	$ 25,524,360	$ 673,452
Swimming Pool	3,179,584	-
Recreation	403,463	-
Library	10,083,879	13,500
Museum	1,583,489	-
Band	2,881	-
Total culture and recreation	$ 40,777,656	$ 686,952
Community and Economic Development:		
Growth Development and Planning	$ 31,922	$ -
Transit	1,313,448	-
Total community and economic development	$ 1,345,370	$ -
General Government:		
Mayor	$ 5,252	$ -
Council/Coffee room	31,267	-
Administrator	19,378	-
Finance	97,117	-
Clerk	17,464	-
City Hall	1,434,347	-
Safety Director	3,851	-
GIS	3,575	-
Total general government	$ 1,612,251	$ -
Total general capital assets	**$171,627,509**	**$2,634,356**

See Accompanying Independent Auditor's Report.

Buildings and Structures	Improvements Other Than Buildings	Machinery & Equipment	Vehicles	Infrastructure	Construction in Progress
$ 1,697,228	$ -	$ 864,500	$ 730,200	$ -	$ -
910,973	121,725	807,000	2,952,535	-	-
-	-	225,118	-	-	-
-	-	15,409	31,589	-	-
-	-	10,001	29,023	-	-
791,990	-	5,591	19,265	-	-
$ 3,400,191	$ 121,725	$1,927,619	$3,762,612	$ -	$ -
$ 2,085,359	$19,052,670	$ 486,854	$1,285,761	$ -	$ 3,511,609
1,537,257	215,910	888,738	2,490,362	-	-
-	-	-	-	82,302,366	2,449,947
-	-	9,489	136,330	-	-
-	-	140,773	66,101	-	-
$ 3,622,616	$19,268,580	$1,525,854	$3,978,554	$82,302,366	$ 5,961,556
$ -	$ -	$ 17,414	$ -	$ -	$ -
-	-	4,391	16,269	-	-
-	-	35,081	-	-	-
$ -	$ -	$ 56,886	$ 16,269	$ -	$ -
$ 945,841	$ 5,643,607	$ 976,236	$ 187,451	$ -	$17,097,773
-	3,080,480	99,104	-	-	-
-	136,691	202,631	64,141	-	-
9,519,775	239,231	311,373	-	-	-
1,399,325	14,188	169,976	-	-	-
-	-	2,881	-	-	-
$11,864,941	$ 9,114,197	$1,762,201	$ 251,592	$ -	$17,097,773
$ -	$ -	$ 31,922	$ -	$ -	$ -
394,539	-	60,374	858,535	-	-
$ 394,539	$ -	$ 92,296	$ 858,535	$ -	$ -
$ -	$ -	$ 5,252	$ -	$ -	$ -
-	-	31,267	-	-	-
-	-	19,378	-	-	-
-	-	97,117	-	-	-
-	-	17,464	-	-	-
969,816	1,540	462,991	-	-	-
-	-	3,851	-	-	-
-	-	3,575	-	-	-
$ 969,816	$ 1,540	$ 640,895	$ -	$ -	$ -
$20,252,103	**$28,506,042**	**$6,005,751**	**$8,867,562**	**$82,302,366**	**$23,059,329**

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, 2013

Function and Activity	Balance June 30, 2012
Public Safety:	
Police	$ 3,261,039
Fire	3,817,431
Civil Defense	225,118
Building	46,998
Inspectors	39,024
Neighborhood Services	816,846
Total public safety	$ 8,206,456
Public Works:	
Airport	$ 23,034,098
Street	4,961,058
Infrastructure	80,037,249
Arborist	144,213
Engineer	204,791
Total public works	$108,381,409
Health and Social Services:	
Youth Task Force	$ 17,414
Health	20,660
Human Rights	37,164
Total health and social services	$ 75,238
Culture and Recreation:	
Parks	$ 8,416,601
Swimming Pool	3,179,584
Recreation	403,163
Library	10,090,732
Museum	1,584,189
Band	2,881
Total culture and recreation	$ 23,677,150
Community and Economic Development:	
Growth Development and Planning	$ 37,831
Transit	1,368,137
Total community and economic development	$ 1,405,968
General Government:	
Mayor	$ 5,252
Council/Coffee room	31,267
Administrator	18,347
Finance	97,117
Clerk	17,464
City Hall	1,360,881
Safety Director	3,851
GIS	3,575
Total general government	$ 1,537,754
Construction in progress	$ 20,523,360
Total general capital assets	**$163,807,335**

See Accompanying Independent Auditor's Report.

Additions	Deletions	Balance June 30, 2013
$ 238,279	$ 92,390	$ 3,406,928
1,050,992	1,040	4,867,383
-	-	225,118
-	-	46,998
-	-	39,024
-	-	816,846
$ 1,289,271	$ 93,430	$ 9,402,297
$ 1,621,025	$ 18,588	$ 24,636,535
319,882	117,310	5,163,630
2,265,117	-	82,302,366
1,606	-	145,819
2,083	-	206,874
$ 4,209,713	$ 135,898	$112,455,224
$ -	$ -	$ 17,414
-	-	20,660
-	2,083	35,081
$ -	$ 2,083	$ 73,155
$ 36,751	$ 26,765	$ 8,426,587
-	-	3,179,584
300	-	403,463
-	6,853	10,083,879
-	700	1,583,489
-	-	2,881
$ 37,051	$ 34,318	$ 23,679,883
$ 300	$ 6,209	$ 31,922
	54,689	1,313,448
$ 300	$ 60,898	$ 1,345,370
$ -	$ -	$ 5,252
-	-	31,267
1,031	-	19,378
-	-	97,117
-	-	17,464
73,466	-	1,434,347
-	-	3,851
-	-	3,575
$ 74,497	$ -	$ 1,612,251
$ 6,470,348	$3,934,379	$ 23,059,329
$12,081,180	**$4,261,006**	**$171,627,509**

STATISTICAL SECTION

CITY OF MASON CITY, IOWA
STATISTICAL SECTION

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

Contents **Page**

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 111-120

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. 121-129

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 130-137

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 138-142

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 143-146

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	2013	2012	2011 (1)	2010
Governmental activities:				
Invested in capital assets, net of related debt	$ 88,508,650	$ 84,438,764	$ 78,121,123	$ 67,769,666
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	-	-	-	61,631
Perpetual care	511,089	527,193	509,011	505,269
Unrestricted	22,016,269	22,798,317	20,613,538	21,388,087
Total governmental activities net position	**$111,669,646**	**$108,397,912**	**$ 99,877,310**	**$ 90,358,291**
Business-type activities:				
Invested in capital assets, net of related debt	$ 47,268,020	$ 45,942,815	$ 40,172,842	$ 38,361,919
Restricted for:				
Bond retirement	2,854,934	2,863,129	2,866,968	2,853,334
Capital projects	-	-	-	-
Unrestricted	4,731,482	4,005,609	4,952,139	3,251,027
Total business-type activities net position	**$ 54,854,436**	**$ 52,811,553**	**$ 47,991,949**	**$ 44,466,280**
Primary government:				
Invested in capital assets, net of related debt	$135,776,670	$130,381,579	$118,293,965	$106,131,585
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	2,854,934	2,863,129	2,866,968	2,914,965
Capital projects	-	-	-	-
Perpetual care	511,089	527,193	509,011	505,269
Unrestricted	26,747,751	26,803,926	25,565,677	24,639,114
Total primary government net position	**$166,524,082**	**$161,209,465**	**$147,869,259**	**$134,824,571**

(1) 2011 net position components have been adjusted to reflect the July 1, 2011 restatement.

See Accompanying Independent Auditor's Report.

2009	2008	2007	2006	2005	2004
$ 60,958,677	$ 54,151,661	$ 51,379,331	$ 47,154,271	$ 41,643,488	$33,654,513
633,638	633,638	610,638	-	-	-
267,858	362,803	505,025	619,718	769,200	1,221,315
486,855	455,442	429,743	418,734	448,409	414,424
20,911,732	23,700,869	22,247,468	20,839,020	22,232,947	21,906,460
$ 83,258,760	**$ 79,304,413**	**$ 75,172,205**	**$ 69,031,743**	**$ 65,094,044**	**$57,196,712**
$ 38,209,810	$ 36,086,120	$ 35,294,652	$ 34,761,907	$ 34,113,573	$34,673,507
2,836,655	2,799,606	2,578,675	2,379,182	1,920,304	1,695,224
-	-	-	-	-	435,680
2,085,637	2,149,576	1,274,797	1,206,696	1,926,433	(1,240,259)
$ 43,132,112	**$ 41,035,302**	**$ 39,148,124**	**$ 38,347,785**	**$ 37,960,310**	**$35,564,152**
$ 99,168,487	$ 90,237,781	$ 86,673,983	$ 81,916,178	$ 75,757,061	$68,328,020
633,638	633,638	610,638	-	-	-
3,104,523	3,162,409	3,083,700	2,998,900	2,689,504	2,916,539
-	-	-	-	-	435,680
486,855	455,442	429,743	418,734	448,409	414,424
22,997,639	25,850,445	23,522,265	22,045,716	24,159,380	20,666,201
$126,390,872	**$120,339,715**	**$114,320,329**	**$107,379,528**	**$103,054,354**	**$92,760,864**

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

	2013	2012	2011	2010
Expenses:				
Governmental activities:				
Public safety	$ 9,943,882	$ 9,787,453	$ 9,402,887	$ 8,897,795
Public works	7,553,058	7,382,204	7,450,233	6,910,495
Health and social services	1,790,824	906,341	808,916	779,197
Culture and recreation	3,248,655	4,091,975	3,503,976	3,475,535
Community and economic development	3,743,098	1,979,288	2,252,333	2,368,084
General government	2,357,531	2,211,823	2,176,829	2,593,594
Interest on long-term debt	863,232	992,502	1,053,911	987,814
Total governmental activities expenses	$ 29,500,280	$ 27,351,586	$ 26,649,085	$ 26,012,514
Business-type activities:				
Cemetery	$ 332,576	$ 333,251	$ 314,613	$ 300,661
Water	5,154,341	5,158,365	5,218,343	5,244,979
Sewer	3,905,597	3,824,139	3,505,748	3,473,401
Parking lots	125,823	112,947	127,198	135,289
Storm sewer	188,616	186,745	189,862	182,262
Solid waste	1,317,928	1,378,497	1,289,603	1,244,442
Golf course	435,999	449,534	473,005	453,765
Ambulance	1,526,010	1,581,505	1,572,168	1,265,397
Total business-type activities expenses	$ 12,986,890	$ 13,024,983	$ 12,690,540	$ 12,300,196
Total primary government expenses	**$ 42,487,170**	**$ 40,376,569**	**$ 39,339,625**	**$ 38,312,710**
Program Revenues:				
Governmental activities:				
Charges for services:				
Public safety	$ 417,633	$ 381,382	$ 356,340	$ 287,781
Culture and recreation	481,665	540,478	550,848	458,412
General government	364,171	311,974	410,024	382,266
Other activities	328,260	424,824	269,465	587,134
Operating grants and contributions	4,679,847	4,303,876	3,748,874	2,380,822
Capital grants and contributions	6,022,423	8,315,838	10,109,341	7,737,713
Total governmental activities program revenues	$ 12,293,999	$ 14,278,372	$ 15,444,892	$ 11,834,128
Business-type activities:				
Charges for services:				
Water	$ 5,723,723	$ 5,388,342	$ 5,238,573	$ 4,979,982
Sewer	4,370,992	4,388,117	4,658,234	4,304,033
Other activities	3,986,210	3,830,609	3,645,750	3,612,573
Operating grants and contributions	(46,721)	37,354	619,206	188,313
Capital grants and contributions	681,130	4,030,634	914,735	206,190
Total business-type activities program revenues	$ 14,715,334	$ 17,675,056	$ 15,076,498	$ 13,291,091
Total primary government program revenues	**$ 27,009,333**	**$ 31,953,428**	**$ 30,521,390**	**$ 25,125,219**
Net (Expense) Revenues:				
Governmental activities	$(17,206,287)	$(13,073,214)	$(11,204,193)	$(14,178,386)
Business-type activities	1,728,444	4,650,073	2,385,958	990,895
Total primary government net (expense)/ revenues	**$(15,477,837)**	**$ (8,423,141)**	**$ (8,818,235)**	**$(13,187,491)**

(continued)

2009	2008	2007	2006	2005	2004
$ 8,776,634	$ 8,836,067	$ 8,497,763	$ 8,550,232	$ 7,926,815	$ 7,651,154
6,912,927	6,547,510	5,695,837	5,510,270	4,320,043	5,408,728
769,456	838,912	719,340	614,429	661,340	556,758
3,720,434	3,192,566	3,197,601	3,029,345	2,852,682	2,739,284
1,937,074	1,516,775	1,429,911	3,610,475	2,886,020	3,885,016
2,668,372	2,206,251	2,241,467	2,366,733	2,215,481	2,013,286
695,529	580,638	541,891	509,503	521,935	589,257
$ 25,480,426	$ 23,718,719	$ 22,323,810	$ 24,190,987	$21,384,316	$ 22,843,483
$ 282,484	$ 263,411	$ 265,149	$ 258,434	$ 243,474	$ 242,607
5,047,464	4,896,428	4,791,948	4,193,851	3,165,550	2,755,310
3,118,427	2,841,619	2,754,070	2,670,534	2,519,795	2,375,568
118,762	112,018	103,884	114,494	96,321	93,865
178,107	188,876	116,252	125,947	122,333	108,823
1,216,902	1,201,526	1,141,987	1,090,911	1,020,631	980,181
463,543	496,383	465,044	404,347	326,498	333,049
1,353,951	1,300,570	1,169,878	1,150,308	907,072	213,640
$ 11,779,640	$ 11,300,831	$ 10,808,212	$ 10,008,826	$ 8,401,674	$ 7,103,043
$ 37,260,066	**$ 35,019,550**	**$ 33,132,022**	**$ 34,199,813**	**$29,785,990**	**$ 29,946,526**
$ 388,341	$ 331,821	$ 469,917	$ 503,548	$ 569,319	$ 533,677
474,665	462,564	529,079	465,783	443,535	495,459
453,072	399,780	372,805	203,975	481,621	298,815
215,322	266,913	229,317	506,609	292,758	380,010
1,970,043	1,586,253	1,690,908	3,382,410	3,200,201	2,982,349
4,828,170	3,383,038	4,537,680	4,771,256	7,357,615	1,404,793
$ 8,929,613	$ 6,430,369	$ 7,819,706	$ 9,833,581	$12,345,049	$ 6,095,103
$ 4,647,116	$ 4,701,954	$ 4,587,840	$ 4,091,801	$ 3,996,205	$ 3,542,206
4,196,151	3,060,266	2,583,223	2,347,982	2,275,044	2,028,147
3,637,931	3,525,466	3,272,750	3,043,408	2,630,558	1,621,988
584,695	-	-	-	-	-
270,810	1,111,409	583,409	523,134	1,236,866	3,289,676
$ 13,336,703	$ 12,399,095	$ 11,027,222	$ 10,006,325	$10,138,673	$ 10,482,017
$ 21,666,316	**$ 18,829,464**	**$ 18,856,928**	**$ 19,839,906**	**$22,483,722**	**$ 16,577,120**
$(17,150,813)	$(17,288,350)	$(14,494,104)	$(14,357,406)	$(9,039,267)	$(16,748,380)
1,557,063	1,098,264	219,010	(2,501)	1,736,999	3,378,974
$(15,593,750)	**$(16,190,086)**	**$(14,275,094)**	**$(14,359,907)**	**$(7,302,268)**	**$(13,369,406)**

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

	2013	2012	2011	2010
General Revenues and Other Changes in Net Position:				
Governmental activities:				
General revenues:				
Property taxes	$14,956,662	$14,594,866	$14,145,418	$13,104,150
Other taxes	5,042,539	5,319,902	4,783,420	4,435,891
Franchise taxes	13,500	-	-	-
Road use tax	-	-	-	2,466,138
Unrestricted state utility tax replacement	159,198	156,531	151,361	174,130
Grants and contributions not restricted to specific program	11,192	95,746	386,403	19,107
Unrestricted investment income	233,535	1,002,440	596,673	1,068,587
Gain (loss) on sale of capital assets	-	-	-	-
Miscellaneous	114,885	259,331	259,307	13,663
Transfers	(53,496)	165,000	(36,000)	(3,749)
Total governmental activities	$20,478,015	$21,593,816	$20,286,582	$21,277,917
Business-type activities:				
General revenues:				
Property taxes	$ 120,001	$ 114,460	$ 113,987	$ 112,825
Grants and contributions not restricted to specific program	-	-	-	-
Unrestricted investment income	63,986	112,040	96,638	133,399
Gain (loss) on sale of capital assets	-	-	-	-
Miscellaneous	76,956	108,031	81,894	93,300
Transfers	53,496	(165,000)	36,000	3,749
Total business-type activities	$ 314,439	$ 169,531	$ 328,519	$ 343,273
Total primary government	**$20,792,454**	**$21,763,347**	**$20,615,101**	**$21,621,190**
Change in Net Position:				
Governmental activities	$ 3,271,734	$ 8,520,602	$ 9,082,389	$ 7,099,531
Business-type activities	2,042,883	4,819,604	2,714,477	1,334,168
Total primary government	**$ 5,314,617**	**$13,340,206**	**$11,796,866**	**$ 8,433,699**

See Accompanying Independent Auditor's Report.

2009	2008	2007	2006	2005	2004
$12,884,283	$12,343,528	$11,819,970	$10,490,524	$ 9,449,162	$ 9,121,213
4,576,634	5,032,706	4,400,683	4,112,909	3,628,930	5,260,326
-	-	-	-	12,883	72,000
2,417,780	2,499,599	2,440,873	2,442,817	2,422,050	2,444,356
186,493	186,315	184,216	159,226	161,992	171,678
44,895	10,001	92,191	80,804	17,401	132,876
795,157	1,478,799	1,746,741	1,028,584	1,340,758	693,661
-	-	-	-	-	-
265,548	104,746	46,892	10,037	259,635	146,427
(65,630)	(235,136)	(97,000)	(29,796)	(356,212)	58,651
$21,105,160	$21,420,558	$20,634,566	$18,295,105	$16,936,599	$18,101,188
$ 105,232	$ 100,873	$ 92,417	$ 92,994	$ 87,090	$ 83,372
-	2,825	-	-	-	-
198,766	346,442	343,964	185,868	182,609	65,418
-	-	-	-	-	-
170,119	103,638	47,948	81,318	33,248	34,190
65,630	235,136	97,000	29,796	356,212	(58,651)
$ 539,747	$ 581,329	$ 389,976	$ 659,159	$ 124,329	
$21,644,907	**$22,209,472**	**$21,215,895**	**$18,685,081**	**$17,595,758**	**$18,255,517**
$ 3,954,347	$ 4,132,208	$ 6,140,462	$ 3,937,699	$ 7,897,332	$ 1,352,808
2,096,810	1,887,178	800,339	387,475	2,396,158	3,503,303
$ 6,051,157	**$ 6,019,386**	**$ 6,940,801**	**$ 4,325,174**	**$10,293,490**	**$ 4,856,111**

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

	2013	2012	2011	2010
General Fund:				
Reserved	$ -	$ -	$ -	$ 214,097
Unreserved	-	-	-	8,311,761
Nonspendable	143,958	151,565	139,912	-
Restricted	1,214,910	1,295,953	1,316,949	-
Assigned	144,553	374,681	474,153	-
Unassigned	5,542,781	5,165,554	5,125,768	-
Total general fund	**$ 7,046,202**	**$ 6,987,753**	**$ 7,056,782**	**$ 8,525,858**
All Other Governmental Funds:				
Reserved	$ -	$ -	$ -	$ 1,211,159
Unreserved, reported in:				
Special revenue funds	-	-	-	9,542,365
Capital project funds	-	-	-	654,364
Permanent funds	-	-	-	175,591
Nonspendable	646,753	646,187	645,079	-
Restricted	12,960,704	13,067,223	12,077,490	-
Assigned	1,062,246	1,378,163	1,380,703	-
Unassigned	(242,382)	(156,514)	(1,391,926)	-
Total all other governmental funds	**$14,427,321**	**$14,935,059**	**$12,711,346**	**$11,583,479**

Note: The City implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011.

See Accompanying Independent Auditor's Report.

2009	2008	2007	2006	2005	2004
$ 227,684	$ 209,866	$ 211,759	$ 208,096	$ 212,296	$ 190,564
7,035,343	8,412,260	8,669,062	8,593,915	9,052,118	8,976,676
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 7,263,027	**$ 8,622,126**	**$ 8,880,821**	**$ 8,802,011**	**$ 9,264,414**	**$ 9,167,240**
$ 1,398,244	$ 1,457,861	$ 1,551,247	$ 1,045,151	$ 1,344,270	$ 1,766,522
8,662,741	8,760,295	7,807,590	6,722,890	6,655,169	4,864,385
2,371,946	3,882,653	3,788,901	3,614,649	4,631,731	5,927,280
268,182	299,917	301,100	893,426	791,927	818,046
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$12,701,113	**$14,400,726**	**$13,448,838**	**$12,276,116**	**$13,423,097**	**$13,376,233**

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

	2013	2012	2011	2010
Revenues:				
Property taxes	$12,832,251	$12,329,153	$11,933,871	$11,227,096
TIF revenues	1,409,284	1,500,976	1,438,648	1,113,291
Other taxes	5,215,237	5,476,433	4,934,781	4,610,021
Licenses and permits	587,652	598,403	627,128	526,228
Intergovernmental	10,176,181	12,222,158	13,550,171	11,920,642
Charges for services	889,012	950,316	868,987	1,098,884
Fines and forfeitures	80,084	83,949	81,317	73,912
Use of money and property	252,129	966,669	580,143	1,046,555
Special assessments	34,981	25,990	9,245	16,569
Miscellaneous	997,852	690,139	1,016,838	637,005
Refunds	53,316	15,396	7,984	34,447
Total revenues	$32,527,979	$34,859,582	$35,049,113	$32,304,650
Expenditures:				
Public safety	$ 8,936,006	$ 8,935,302	$ 8,744,332	$ 8,377,479
Public works	3,174,323	3,130,523	3,228,134	3,398,998
Health and social services	734,159	853,755	787,650	765,063
Culture and recreation	3,396,606	3,092,889	2,917,485	2,988,797
Community and economic development	5,490,905	5,472,392	12,624,763	7,278,193
General government	2,200,056	2,101,725	2,113,201	2,469,483
Capital projects	6,120,323	6,437,190	7,502,631	13,623,213
Debt service:				
Principal retirement	3,342,294	3,363,870	2,601,875	2,117,833
Interest	818,835	956,803	993,656	955,151
Contractual	52,780	62,470	41,578	9,669
Total expenditures	$34,266,287	$34,406,919	$41,555,305	$41,983,879
Excess (deficiency) of revenues over (under) expenditures	$(1,738,308)	$ 452,663	$(6,506,192)	$(9,679,229)
Other financing sources (uses):				
Issuance of refunding bonds	$ 890,000	$ 2,144,077	$ -	$ -
Payment to refunding escrow agent	(860,000)	(1,994,077)	-	-
Issuance of general obligation bonds	1,325,000	1,400,000	5,785,000	9,108,900
Premium (discount) on bonds issued	(12,485)	(12,980)	(32,017)	25,275
Sale of capital assets		-	-	-
Transfers in	2,921,668	2,828,522	2,578,286	2,655,746
Transfers out	(2,975,164)	(2,663,521)	(1,849,286)	(1,965,495)
Total other financing sources (uses)	$ 1,289,019	$ 1,702,021	$ 6,481,983	$ 9,824,426
Net change in fund balances	**$ (449,289)**	**$ 2,154,684**	**$ (24,209)**	**$ 145,197**
Debt service as a percentage of noncapital expenditures	**16.69%**	**21.92%**	**15.47%**	**13.25%**

See Accompanying Independent Auditor's Report.

2009	2008	2007	2006	2005	2004
$10,615,964	$ 9,991,874	$ 9,509,937	$ 8,441,105	$ 7,764,803	$ 7,821,949
1,293,624	1,549,165	1,539,641	1,324,877	1,334,795	1,299,264
4,763,020	5,219,025	4,584,899	4,272,135	3,803,805	5,504,004
594,809	589,770	583,098	422,326	752,700	576,466
8,771,337	7,062,389	7,917,610	9,576,497	11,825,024	6,394,531
788,428	673,796	804,962	986,768	715,507	715,657
117,261	88,621	169,377	195,322	228,678	162,745
747,268	1,408,275	1,685,388	994,387	1,305,195	671,163
30,900	108,927	43,681	75,497	90,348	253,091
591,339	497,160	860,681	1,127,791	1,078,449	634,460
207,873	72,695	73,281	111,921	87,314	72,811
$28,521,930	$27,261,697	$27,772,552	$27,528,626	$28,986,618	$24,106,141
$ 8,121,819	$ 8,339,910	$ 8,088,949	$ 7,904,694	$ 7,396,491	$ 7,038,308
2,879,684	3,278,651	3,218,936	2,954,535	2,922,781	3,158,130
750,863	805,599	699,620	586,664	638,500	532,232
3,046,106	2,785,729	2,815,767	2,596,250	2,456,088	2,341,327
1,693,168	1,134,548	1,301,826	3,617,369	2,741,518	3,744,709
2,531,895	2,134,146	2,175,747	2,244,677	2,114,246	1,905,417
16,059,284	7,859,352	8,772,725	8,734,458	11,064,257	9,594,988
1,659,835	1,792,073	1,571,570	1,396,363	1,255,708	2,660,020
634,734	530,122	515,464	490,091	486,787	563,568
48,424	50,115	22,100	16,113	26,847	20,261
$37,425,812	$28,710,245	$29,182,704	$30,541,214	$31,103,223	$31,558,960
$(8,903,882)	$(1,448,548)	$(1,410,152)	$(3,012,588)	$(2,116,605)	$(7,452,819)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
5,485,800	2,400,300	2,775,000	1,280,000	2,253,000	1,586,128
-	(23,422)	(16,317)	-	13,855	-
-	-	153,000	-	-	-
2,537,998	1,462,290	1,494,141	1,808,784	1,979,733	8,499,176
(2,178,628)	(1,697,426)	(1,591,141)	(1,838,580)	(1,985,945)	(8,440,525)
$ 5,845,170	$ 2,141,742	$ 2,661,683	$ 1,403,204	$ 2,260,643	$ 1,644,779
$(3,058,712)	**$ 693,194**	**$ 1,251,531**	**$(1,609,384)**	**$ 144,038**	**$(5,808,040)**
10.40%	**10.84%**	**10.33%**	**8.56%**	**9.16%**	**14.63%**

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

Fiscal Year	Property Taxes	Tax Increment	Ag Land Taxes	Monies & Credits	Bank Franchise Tax
2013	$12,807,444	$1,409,283	$17,403	$7,405	$ -
2012	12,329,153	1,500,976	17,243	6,635	-
2011	11,933,871	1,438,648	17,385	6,028	-
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

Fiscal Year	Hotel/ Motel Tax	Utility Property Tax Replacement	Local Option Sales Tax	Total Taxes
2013	$562,295	$159,198	$2,681,986	$17,645,014
2012	544,623	156,531	2,836,036	17,391,197
2011	412,712	151,361	2,580,116	16,540,121
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

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

See Accompanying Independent Auditor's Report.

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

		Assessed Valuation			
Levy Year	**Fiscal Year**	**Residential Property**	**Commercial Property**	**Industrial Property**	**Agricultural Property**
2012	2013	$1,084,170,413	$375,551,210	$ 99,342,061	$12,935,557
2011	2012	1,082,708,259	375,761,167	105,170,753	13,014,606
2010	2011	1,087,197,119	373,188,488	116,132,318	10,462,956
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

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

(2) Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per $1,000 of assessed value.

Source: City Assessor

See Accompanying Independent Auditor's Report.

Utilities	Total	Total Taxable Valuation (1)(2)	Total Direct Tax Rate
$51,062,791	$1,623,062,032	$1,089,127,619	13.55111
58,902,940	1,635,557,725	1,076,208,365	13.56506
55,575,034	1,642,555,915	1,079,732,545	13.39427
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

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

REGULAR DISTRICTS

	CITY OF MASON CITY			
Fiscal Year	**Operating Millage**	**Debt Service Millage**	**Retirement Millage**	**Total City Millage**
2013	8.43639	3.11309	2.00163	13.55111
2012	8.49471	2.97035	2.10000	13.56506
2011	8.67914	2.78243	1.93270	13.39427
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

Source: Cerro Gordo County Auditor

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

See Accompanying Independent Auditor's Report.

CERRO GORDO COUNTY			MASON CITY COMMUNITY SCHOOL DISTRICT				
Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Other	Total Millage
5.81660	.41922	6.23582	13.31719	-	13.31719	3.00375	36.10787
5.81660	.43417	6.25077	15.11036	-	15.11036	3.00375	37.92994
5.81451	.45591	6.27042	15.11732	-	15.11732	3.00375	37.78576
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

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

	2013		
Taxpayer	**Taxable Assessed Valuation**	**Rank**	**Percent of Total Assessed Valuation**
Interstate Power Company	$ 45,556,308	1	2.81%
Golden Grain Energy, Inc.	18,917,590	2	1.17
Lehigh Portland Cement Company	16,331,181	3	1.01
Mills Fleet Farm	12,351,950	4	0.76
AADG	11,617,550	5	0.72
Wal-Mart	11,599,630	6	0.71
North Iowa Mercy	8,917,830	7	0.55
Principal Mutual Life Insurance Co.	8,863,840	8	0.55
Mason City Shopping Center, Ltd.	8,500,870	9	0.52
Sunny Fresh Foods, Inc.	8,275,270	10	0.51
Curries Manufacturing, Inc.	-		-
Northwestern States Cement-Holnam, Inc.	-		-
Mall Associates	-		-
CAG Subsidiary, Inc.	-		-
Dayton Hudson	-		-
Total	**$150,932,019**		**9.31%**

Source: City Assessor

See Accompanying Independent Auditor's Report.

2004		
Taxable Assessed Valuation	Rank	Percent of Total Assessed Valuation
$ 23,166,771	1	1.75%
-		-
17,713,266	2	1.34
10,017,162	6	0.76
14,870,817	3	1.13
8,552,390	8	0.65
-		-
8,779,280	7	0.66
-		-
-		-
-		-
14,257,896	4	1.08
12,082,830	5	0.91
7,180,840	9	0.54
7,120,080	10	0.54
$123,741,332		**9.36%**

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

Levy Year	For Fiscal Year Ended June 30,	Total Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Levy	
2012	2013	$13,822,521	$13,488,070	97.58%	$ -
2011	2012	13,368,985	13,106,318	98.04	-
2010	2011	12,949,529	12,922,145	99.78	16,614
2009	2010	12,269,045	12,246,928	99.82	16,013
2008	2009	11,901,194	11,885,781	99.87	11,174
2007	2008	11,065,910	11,062,272	99.96	1,602
2006	2007	10,549,474	10,547,547	99.98	879
2005	2006	9,414,330	9,411,788	99.97	1,414
2004	2005	8,380,157	8,377,255	99.96	1,866
2003	2004	8,107,644	8,103,655	99.95	3,475

See Accompanying Independent Auditor's Report.

Total Collections to Date	
Amount	Percentage of Levy
$13,488,070	97.58%
13,106,318	98.04
12,938,969	99.92
12,262,944	99.95
11,896,955	99.96
11,063,874	99.98
10,548,426	99.99
9,413,402	99.99
8,379,121	99.99
8,107,130	99.99

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

	Governmental Activities			
Fiscal	General Obligation		TIF Revenue	
Year	Bonds	Notes	Bonds	Lease
2013	$23,066,557	$ -	$ -	$ -
2012	23,854,077	150,000	1,049,774	-
2011	25,339,320	295,000	1,233,400	-
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	64,829
2005	8,453,000	-	2,719,272	126,867
2004	7,140,000	-	3,034,980	186,233

	Business-Type Activities			
Fiscal	General Obligation		Revenue	Capital
Year	Bonds	Notes	Bonds	Lease
2013	$5,928,444	$123,169	$21,971,273	$ -
2012	6,100,923	205,085	23,821,018	-
2011	7,050,680	282,887	25,602,694	-
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

See Accompanying Independent Auditor's Report.

Settlement Note	Total
$ -	$23,066,557
-	25,053,851
-	26,867,720
-	23,684,598
-	16,592,429
-	12,837,265
4,889	12,264,227
31,528	11,152,266
56,125	11,355,264
75,000	10,436,213

Total	Total Primary Government	Percentage of Personal Income	Per Capita
$28,022,886	$51,089,443	4.41%	$1,819
30,127,026	55,180,877	5.09	1,965
32,936,261	59,803,981	6.14	2,130
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

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

Levy Year	Population(1)	Taxable Assessed Value(2)	Gross Bonded Debt	Less Debt Service Funds
2013	28,079	$1,089,127,619	$29,118,278	$ (10,025)
2012	28,079	1,076,208,365	30,310,085	(8,624)
2011	28,079	1,079,732,545	32,967,887	(121,160)
2010	29,172	1,026,972,722	29,476,848	61,630
2009	29,172	1,016,064,811	21,956,010	267,858
2008	29,172	964,618,055	17,424,451	362,803
2007	29,172	944,867,130	14,367,406	505,025
2006	29,172	869,786,552	13,007,596	619,718
2005	29,172	868,622,941	11,244,870	769,200
2004	29,172	829,968,057	7,635,680	1,221,315

Levy Year	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2013	$29,128,303	2.67%	$1,037.37
2012	30,318,709	2.82	1,079.76
2011	33,089,047	3.06	1,178.43
2010	29,415,218	2.86	1,008.34
2009	21,688,152	2.13	743.46
2008	17,061,648	1.77	584.86
2007	13,862,381	1.47	475.19
2006	12,387,878	1.42	424.65
2005	10,475,670	1.21	359.10
2004	6,414,365	.77	219.88

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, 2013

Jurisdiction	Net Debt Outstanding	Percentage Applicable To City Of Mason City	Amount Applicable To City Of Mason City
Direct:			
City of Mason City (1)	$23,066,557	100.0%	$23,066,557
Overlapping (2):			
Mason City Community School District	$36,623,417	90.2	$33,048,971
Cerro Gordo County	10,515,000	45.9	4,826,385
North Iowa Area Community College	19,745,000	-	-
Total overlapping	$66,883,417		$37,875,356
Total	**$89,949,974**		**$60,941,913**

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

	2013	2012	2011	2010
Debt limit	$82,847,356	$81,919,465	$82,847,356	$80,068,604
Total net debt applicable to limit	28,995,000	31,154,774	33,918,400	30,524,732
Legal debt margin	**$53,852,356**	**$50,764,691**	**$48,928,956**	**$49,543,872**
Total net debt applicable to the limit as a percentage of debt limit	34.99%	**38.03%**	**40.94%**	**38.12%**

Legal Debt Margin Calculation for Fiscal Year 2013

Actual assessed valuation:	
Real property	$1,601,372,084
Utilities	55,575,034
Total actual assessed valuation	$1,656,947,118
Debt limit - 5% of actual valuation	$ 82,847,356
Total net debt applicable to limit	28,995,000
Legal debt margin	**$ 53,852,356**

See Accompanying Independent Auditor's Report.

2009	2008	2007	2006	2005	2004
$80,036,347	$77,926,623	$74,094,419	$67,487,614	$67,400,322	$66,048,766
23,206,321	15,643,215	15,926,646	15,111,754	13,751,129	10,361,213
$56,830,026	**$62,283,408**	**$58,167,773**	**$52,375,860**	**$53,649,193**	**$55,687,553**
28.99%	**20.07%**	**21.50%**	**22.39%**	**20.40%**	**15.69%**

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

Fiscal Year	Gross Revenues	Operating Expenses(1)	Net Revenue Available for Debt Service
2013	$4,374,579	$1,898,650	$2,475,929
2012	4,442,947	1,954,110	2,488,837
2011	5,231,916	1,672,145	3,559,771
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

Fiscal Year	Debt Service Requirements			
	Principal	Interest	Total	Coverage
2013	$824,000	$383,290	$1,207,290	2.05
2012	793,000	409,590	1,202,590	2.07
2011	897,000	437,287	1,334,287	2.66
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

(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

Fiscal Year	Gross Revenues	Operating Expenses(1)	Net Revenue Available for Debt Service
2013	$5,751,609	$3,161,914	$2,589,695
2012	5,476,898	3,164,908	2,311,990
2011	5,337,691	3,263,510	2,074,181
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

Fiscal Year	Debt Service Requirements			Coverage
	Principal	Interest	Total	
2013	$1,038,000	$366,230	$1,404,230	1.84
2012	1,001,000	399,010	1,400,010	1.65
2011	970,000	430,760	1,400,760	1.48
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

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

See Accompanying Independent Auditor's Report.

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

Fiscal Year	Population(1)	Personal Income (in thousands)	Per Capita Income(2)	Median Age(2)	School Enrollment(3)	Unemployment Rate(4)
2013	28,079	$1,157,557	$41,225	43.80	3,751	5.4%
2012	28,079	1,082,586	38,555	43.30	3,796	6.5
2011	28,079	974,538	34,707	43.30	3,860	6.6
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

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 TEN YEARS AGO

	2013		
Taxpayer	**Employees**	**Rank**	**Percent of Total City Employment**
Mercy Medical Center - North IA	2,650	1	18.8
Curries Manufacturing Company	673	2	4.8
Hy-Vee Food Stores	562	3	4.0
Mason City Community School District	555	4	3.9
Principal Life Insurance Co.	448	5	3.2
Wal-Mart Stores	400	6	2.8
Good Shepherd Geriatric Center	310	7	2.2
Kraft Foods	278	8	2.0
City of Mason City	272	9	1.9
Armour-Eckrich Meats	260	10	1.8
Total	**6,408**		**45.4%**

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

(1) Information not available

See Accompanying Independent Auditor's Report.

2004		
Employees (1)	Rank (1)	Percent of Total City Employment (1)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-		-

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

	2013	2012	2011	2010	2009
Public safety:					
Police - sworn	45	45	48	48	48
Police – civilian	5	5	5	5	2
Fire - sworn	45	44	44	44	44
Fire – civilian	2	2	2	2	2
Building inspection	1	2	3	3	3
Plumbing/electrical inspection	2	2	2	2	1
Public works:					
Airport	5	5	5	5	5
Street	20	21	21	20	22
Arborist	1	1	1	1	1
Engineer	6	7	7	7	7
Health and social services:					
Youth Task Force	5	4	3	4	5
Health	1	1	1	1	1
Human Rights	1	3	3	3	3
Culture and recreation:					
Parks	6	6	6	6	6
Recreation	5	3	3	3	4
Library	17	18	18	14	15
Museum	7	7	7	7	7
Community and economic development:					
Neighborhood Services	3	3	2	2	2
Growth Development and Planning	3	3	3	3	3
Transit	16	14	16	17	17
General government:					
Administrator	2	3	2	2	2
Mayor	-	-	-	-	-
Finance	10	11	11	11	11
Clerk	1	1	1	1	2
City Hall	1	1	1	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	18	18	19	19	18
Sewer	15	14	16	16	16
Sanitation	12	10	12	12	11
Cemetery	3	3	3	3	3
Golf course	2	2	2	2	2
Total	**262**	**269**	**269**	**266**	**266**

Source: City Finance Department

See Accompanying Independent Auditor's Report.

2008	2007	2006	2005	2004
45	48	50	47	49
4	10	9	15	12
44	44	44	44	43
2	2	1	1	1
3	3	3	3	3
2	2	2	2	2
5	5	6	5	4
21	21	21	20	20
1	1	1	1	1
7	5	7	7	6
4	4	3	3	3
1	1	1	1	1
2	2	2	2	2
7	7	7	7	7
4	4	4	4	4
15	14	14	13	13
7	7	6	5	6
2	3	3	3	1
3	1	3	4	4
14	15	14	14	17
2	2	2	2	2
-	-	-	-	1
11	8	7	7	5
2	2	3	3	3
1	1	1	1	1
2	2	2	2	2
19	22	21	22	19
16	17	17	17	16
12	12	12	12	12
3	3	3	3	3
1	2	2	2	2
263	**269**	**277**	**277**	**274**

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

Function	2013	2012	2011	2010	2009
Police:					
Physical arrests	3,428	3,082	2,776	2,295	4,129
Parking violations	2,288	2,678	4,432	4,161	5,885
Traffic violations	5,210	5,366	5,311	2,043	3,117
Fire:					
Fire calls answered	795	839	793	731	762
Ambulance calls answered	4,430	4,434	4,057	3,755	3,912
Inspections	1,103	1,961	1,690	1,411	1,216
Highways and streets:					
Street resurfacing (miles)	1.63	0.37	2.68	2.40	2.60
Potholes repaired	5,900	5,500	5,400	5,300	5,000
Sanitation:					
Refuse collected (tons/day)	31.99	29.00	31.94	32.60	27.50
Recyclables collected (tons/day)	4.90	4.82	4.84	4.86	5.50
Culture and recreation:					
Aquatic Center admissions	37,817	42,811	42,179	33,616	39,074
Water:					
New connections	32	26	31	15	21
Water main breaks	11	21	17	17	11
Average daily consumption (thousands of gallons)	4,542	4,828	5,300	5,324	5,865
Wastewater:					
Average daily sewage treatment (thousands of gallons)	5,499	6,712	6,810	6,689	6,658

Source: Various city departments

See Accompanying Independent Auditor's Report.

2008	2007	2006	2005	2004
3,049	3,373	3,309	3,551	3,362
7,560	4,328	3,870	4,041	5,827
5,952	6,502	4,463	2,686	3,478
766	746	779	772	842
4,032	4,138	4,374	3,420	310
1,025	600	373	781	673
3.04	5.59	4.22	3.41	2.71
5,000	5,000	5,000	5,000	5,000
32.52	32.09	31.44	32.80	33.55
5.50	5.50	5.70	5.90	5.87
39,726	51,751	54,997	58,951	42,484
3	15	10	1	8
10	11	8	10	14
5,673	5,784	5,819	5,869	5,571
7,421	7,040	6,637	6,618	5,433

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

Function	2013	2012	2011	2010	2009
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	152.49	152.39	152.33	152.33	152.06
Unpaved	41.12	41.12	41.12	41.12	41.12
Street lights	1,767	1,765	1,761	1,761	1,760
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	48.46	48.46	48.13	48.13	47.95
Sanitary	164.57	164.57	164.53	164.53	164.31
Cemetery:					
Facilities	1	1	1	1	1
Acreage	74.12	74.12	74.12	74.12	74.12

Source: Various city departments

See Accompanying Independent Auditor's Report.

2008	2007	2006	2005	2004
1	1	1	1	1
1	1	1	1	1
151.93	151.93	151.69	150.78	148.12
41.12	41.12	41.12	41.12	41.80
1,760	1,760	1,750	1,744	1,714
41	41	41	41	41
639	639	639	639	639
12	12	12	12	12
12	12	12	12	12
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
47.95	47.95	46.91	46.44	46.26
164.31	160.92	159.84	159.05	158.30
1	1	1	1	1
74.12	74.12	74.12	74.12	74.12

COMPLIANCE SECTION

Kronlage & Olson, P.C.
Certified Public Accountants
Douglas E. Kronlage, CPA
John C. Olson, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERMNENT AUDITING STANDARDS*

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

We have audited, 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, 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, 2013, and the related notes to the financial statements which collectively comprise the City of Mason City's basic financial statements and have issued our report thereon dated December 31, 2013.

Internal Control Over Financial Reporting

Management of the City of Mason City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the City of Mason City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Accordingly, we do not express an opinion on the effectiveness of the City of Mason City's internal control.

Our 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 that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 12-II-A and 12-II-B, described in the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses.

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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, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Mason City, Iowa, in a separate letter dated December 31, 2013.

City of Mason City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We 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 our audit.

Kronlage & Olson, P.C.

Charles City, Iowa

December 31, 2013

Kronlage & Olson, P.C.
Certified Public Accountants
Douglas E. Kronlage, CPA
John C. Olson, CPA

INDEPENDENT AUDITOR'S 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

Report on Compliance for Each Major Federal Program

We have audited the City of Mason City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance* Supplement that could have a direct and material effect on each of the City of Mason City's major federal programs for the year ended June 30, 2013. The City of Mason City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mason City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Mason City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mason City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

The City of Mason City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Mason City's responses were subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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Report on Internal Control over Compliance

Management of the City of Mason City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mason City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, we do not express an opinion on the effectiveness of the City of Mason City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-III-A to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-III-B to be a significant deficiency.

The City of Mason City's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Mason City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kronlage & Olson, P.C.

Charles City, Iowa

December 31, 2013

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
DIRECT:			
Department of Housing and Urban Development			
Fair Housing Assistance Program - State and Local			
Contributions and Training	14.401	FF207K127002	$ 89,894
Contributions and Training	14.401	FF207K117002	83,311
Total			$ 173,205
Department of Justice			
Bullet Proof Vest Program	16.607	2011	$ 3,600
Public Safety Partnership and Community Policing Grants:			
COPS - Secure Our Schools	16.710	2010-CK-WX-0670	24,228
Juvenile Mentoring Program	16.726	2012-JU-FX-0031	57,416
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)/Grants to Units of Local Government	16.804	2009-SB-B9-1946	17,396
Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	2009-SD-B9-0004	9,962
Total			$ 112,602
Department of Transportation			
Airport Improvement Program	20.106	3-19-0059-35-2010	$ 28,286
Airport Improvement Program	20.106	3-19-0059-36-2011	12,819
Airport Improvement Program	20.106	3-19-0059-37-2012	982,439
Airport Improvement Program	20.106	3-19-0059-40-2013	-
Passenger Facility Charge			15,910
Total			$1,039,454
Environmental Protection Agency			
Congressionally Mandated Projects	66.202	KP-97732501	$ 214,000
Department of Health and Human Services			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	5 H79 SP015490-04	$ 24,744
Department of Homeland Security			
Assistance to Firefighters	97.044	EMW-2011-FO-06377	$ 548,145
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR204	454
Total			$ 548,599
Total direct			$2,112,604

(continued)

CITY OF MASON CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
INDIRECT:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development			
Community Development Block Grant/ State Program			
Owner Occupied Housing Rehab	14.228	11-HSG-035	$ 134,348
Owner Occupied Housing Rehab	14.228	10-DTR-006	64,325
100% Flood and Demolition Buyout	14.228	08-DRHB-226	2,206,876
Disaster Recovery Infrastructure	14.228	08-DRI-226	332,927
Disaster Recovery Infrastructure	14.228	08-DRMI-003	-
Section 106 Planning Grant	14.228	08-DRI106-202	11,942
Hazard Mitigation Grant Program Match for Property Acquisition			
Flood Buyout #1	14.228	08-DRMH-231	-
Flood Buyout #2	14.228	08-DRMH-232	9,405
Flood Buyout #3	14.228	08-DRMH-247	4,986
Flood Buyout #4	14.228	08-DRMH-237	196,952
Home Investment Partnership Program	14.239	10-HM-116-65	22,450
Total			$2,984,211
Department of Justice:			
Governor's Office of Drug Control Policy			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10JAG-42633	$ 39,896
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10JAG-42839	17,000
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/16727	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/17611	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/ARRA-16448C	-
Total			$ 56,896
Iowa Department of Justice			
Federal Violence Against Women Formula Grant	16.588	VWS-12-55	$ -
Federal Violence Against Women Formula Grant	16.588	VW-13-55	20,906
Total			$ 20,906
Total			$ 77,802

(continued)

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
INDIRECT:			
Department of Transportation:			
Iowa Department of Transportation			
Highway Planning and Construction			
East State Street Resurfacing	20.205	STP-S-4822 (630)-70-17	$ 738,000
Sixth Street Resurfacing	20.205	STP-U-4822 (631)-70-17	300,000
Federal Aid Agreement-Delaware Avenue Bridge	20.205	TCSP-4822 (626)-9S-17	-
Federal Aid Agreement-19th Street Culvert Widening	20.205	STP-U-4822 (628)-70-17	105,898
Formula Grants for Other than Urbanized Areas			
Operating Assistance	20.509	18-0030-482-13	348,034
Operating Assistance	20.509	18-0030-482-12	-
Total			$1,491,932
Iowa Department of Public Safety			
Governor's Traffic Safety Bureau			
State and Community Highway Safety			
Police Traffic Services	20.600	PAP-13-03	$ 11,158
Police Traffic Services	20.600	PAP-12-02	3,132
Police Traffic Services	20.600	PAP-11-02	-
Total			$ 14,290
Total			$1,506,222
National Endowment for the Arts:			
Iowa Arts Council			
Promotion of the Arts - Partnership Agreements			
Operating Support	45.025	2013-9686	$ 13,540
Department of Education:			
Governor's Office of Drug Control Policy			
Safe and Drug Free Schools and Communities - National Programs	84.184Z	09-IHE-01	$ -

(continued)

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
INDIRECT:			
Department of Homeland Security:			
Iowa Homeland Security and Emergency Management Division			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Small Projects	97.036	DR #1763	$ (160,493)
Demolition Debris Removal	97.036	DR #1763-PW-9585	(32,097)
Demolition Debris Removal	97.036	DR #1763-PW-10528	(12,778)
Demolition Debris Removal	97.036	DR #1763-PW-10529	5,490
Demolition Debris Removal	97.036	DR #1763-PW-10533	23,214
Hazard Mitigation Grant			
Flood Buyout #2	97.039	HMGP-DR-1763-0031-01	44,452
Flood Buyout #1	97.039	HMGP-DR-1763-0032-01	-
Flood Buyout #4	97.039	HMGP-DR-1763-0037-01	75,010
Flood Buyout #3	97.039	HMGP-DR-1763-0047-01	14,957
Water Distribution Flood Wall	97.039	HMGP-DR-DR-1763-0062-01	-
Newman Schools Safe Room	97.039	HMPG-DR-1763-0171-01	20,761
Total			$ (21,484)
Total indirect			$4,560,291
Total expenditures of federal awards			**$6,672,895**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2013

Grantor/Program	Agency or Pass-through Number	Program Expenditures
Iowa Department of Transportation:		
Commercial Air Service Vertical Infrastructure Program	13149	$ 99,205
Commercial Air Service Vertical Infrastructure Program	11416	-
Commercial Air Service Vertical Infrastructure Program	12276	90,362
Commercial Air Service Vertical Infrastructure Program	14128	99,415
Airport Improvement Project	13171	-
Total Expenditures for State Awards		**$288,982**

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

(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	$1,565,468	$1,327,011	$ -	$2,892,479
Special Revenue Funds:				
ADDI	-	22,450	-	22,450
Community Growth TIF	-	64,325	-	64,325
FMA	-	85,180	-	85,180
City Administered Grants	-	572,373	-	572,373
Road Use Tax	-	1,242,278	-	1,242,278
Housing	132,583	-	-	132,583
HMGP	-	2,472,410	-	2,472,410
PDM-FEMA	-	23,528	-	23,528
Enterprise Funds:				
Water	(5,801)	213,999	-	208,198
Sewer	-	332,925	-	332,925
Solid waste	(40,920)	-	-	(40,920)
	$1,651,330	$6,356,479	$ -	$8,007,809

(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, 2013

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) The audit did not disclose any deficiencies in internal control over a major federal program.

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

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

(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 66.202 – Congressionally Mandated Projects
- CFDA Number 97.044 – Assistance to Firefighters

(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 was no prior year or current year instances of noncompliance identified.

MATERIAL WEAKNESSES:

13-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, 2013, they recognized over $1,452,000 of accounts and contracts payable, including approximately $21,869 (not material to any opinion unit) incorrectly recorded as payables. However, they did not recognize an additional $197,000 (material to one opinion unit) of mostly contracts payable at June 30, 2013.

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. We would suggest that a written process be developed for the interns to use to determine when a payable should be

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

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.

13-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:

13-III-A See items 13-II-A and 13-II-B above.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT:

SIGNIFICANT DEFICIENCIES:

DEPARTMENT OF TRANSPORTATION:
Airport Improvement Program – CFDA 20.106, Grant AIP-3-19-0059-37-2011.

13-III-B Condition – The engineering company for this project accepted the responsibilities, as part of its contract, to perform all requirements established by the Davis-Bacon Act. The engineering company failed to perform any Davis-Bacon interviews of contractor employees to determine compliance with Davis-Bacon requirements.

Criteria – The grantee or its representative is required to ensure that the contractors comply with the Davis-Bacon requirements for wage and benefit payments through weekly submission of reports and interviews of contractor employees.

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

Effect – The City may not be in compliance with a compliance requirement of its grant.

Cause – Engineering company failed to perform its contractual responsibility.

Context – No interviews were conducted.

Recommendation – The City's airport manager should follow up with the engineering company who accepts the responsibility for Davis-Bacon compliance to insure that the appropriate checks have been performed by knowledgeable individuals prior to the completion of each grant.

Views of Responsible Officials and Planned Corrective Action – The airport manager has stressed the necessity of completing Davis-Bacon requirements during the pre-construction and progress meetings held for federal grants. The ultimate responsibility for these requirements had been accepted by Mead & Hunt Project Manager on behalf of the airport.

In the future, the Airport Manager will request documentation relating to Davis-Bacon compliance requirements that the emploiyee interviews have been conducted and properly documented during the construction phase of the grant.

Conclusion – Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

13-IV-A Official Depositories - A resolution naming official depositories has been adopted by the City Council.

13-IV-B Certified Budget – Disbursements during the year ended June 30, 2013, did not exceed the amounts budgeted.

13-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.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Daniel Moorehead, Electrical Examiners and Appeals Board – owner, Moorehead Electric	Electrical services	$ 181
Scott Smed, Historic Preservation Commission – partner, Bergland & Cram	Services	300
Craig MacDougall, Plumbing Appeals and Exam Board – owner, Hank's Plumbing	Plumbing repairs	323

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

Name, Title and Business Connection	Transaction Description	Amount
Jay Hanson, MacNider Museum Board - director, Prairie Ridge Chemical Dependency Center	Services	800
Tony Johnson, Plumbing Appeals and Exam Board - owner, Johnson Heating/AC	Plumbing repairs	854
Jay Leaman, Electrical Examiners and Appeals Board - owner, The Electricians	Electrical services	2,391
Matt Brick, Plumbing Appeals and Exam Board - owner, Brick Furniture	Furniture	5,379
David Vikturek, North Iowa Corridor Economic Development Corporation Board - vice president, Mason City Foundation	City contribution	5,434
Robin Anderson, Youth Task Force - CEO & President, Mason City Chamber of Commerce	Training expenses	5,761
Kris Kramer, Planning and Zoning Commission - manager, Kramer Ace Hardware	Supplies	6,634
Steve Clausen, Plumbing Appeals and Exam Board - owner, Clausen Plumbing	Plumbing repairs	$ 7,479
Dennis Reidel, Library Board - CEO & CFO, Overhead Door of Mason City & Mid-West Roofing	Construction services	8,288
Mark Ewy, Housing Advisory and Appeals Board - owner, Custom Auto Body	Repairs	14,459
Tom Douglas, Housing Advisory and Appeals Board - owner, Edwards Brandt Insurance & Realty	Insurance	23,860
Tom Hovland, Airport Commission - owner, Tom Hovland Enterprises	Automotive supplies	28,533
Hal Minear, North Iowa Diversity Appreciation Team - assistant superintendent, Mason City Schools	Recreation program rentals	39,303
Dave Grooters, Library Board - owner, Pappajohn Law Firm	Legal services	55,519

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

Name, Title and Business Connection	Transaction Description	Amount
Doug Wiltsie, Electrical Examiners & Appeals Board – vice president, Blazek Electric	Electric services	62,005
Tricia Sandahl, Mason City Employee – director, Main Street Mason City	City contribution/ Downtown facade	88,082
Jodi O'Brien, North Iowa Diversity Appreciation Team – executive director, Main Street Mason City	City contribution/ Downtown facade	88,082
Fouad Daoud, Building Advisory and Appeals Board – partner, Wallace, Holland, Kastler & Schmidt	Engineering services	117,467
Larry Elwood, Plumbing Appeals and Exam Board and North Iowa Corridor Economic Development Corporation Board – owner, Larry Elwood Construction	Construction services	254,769
Gary Schmit, North Iowa Corridor Economic Development Corporation Board – president, Henkel Construction	Construction services	388,827
Walter Wendland, MacNider Museum Board - CEO, Golden Grain Energy	Tax rebate	$ 504,104
Kevin Pals, Youth Task Force, Sheriff – Cerro Gordo County	28E Agreement	621,896
George Jessen, Zoning Board of Adjustment (alternate) – owner, Heartland Asphalt	Road construction	2,820,961

In accordance with Chapter 362.5(10) of the Code of Iowa, the first five 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, Cerro Gordo County Sheriff, Henkel Construction and Edwards Brandt and Associates were competitively bid or required by 28E agreement 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.

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

13-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.

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

Conclusion – Response accepted.

13-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.

13-IV-H Deposits and Investments - We 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.

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

13-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 2013 fiscal year. During FYE 2007, 2008, 2009, 2010, 2011, 2012 and 2013, records maintained by the water distribution supervisor and the water billing department show that only 60%, 63%, 59%, 53%, 63%, 67% and 71% of the water pumped from the water distribution plant was actually billed, respectively.

Recommendation – Progress is being made. The City should continue to investigate the calculation of water pumped to determine that it is being accurately measured. The City should also continue to review its billing process to determine that all customers are being billed. Gallons of water billed have decreased approximately 10% since FY 2003, at the same time that gallons of water pumped have remained steady.

Response – We have purchased leak detectors and are in the process of identifying leaks in the system. The capital improvements plan includes projects each of the next five years to replace leaking or old water lines. We are also tracking City-owned facilities' usage that is 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, 2013

Comment Number	Comment Title	Corrective Action Planned	Contact Person Title, Phone Number	Anticipated Date of Completion
13-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, 2014
13-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, 2014
13-III-A	See items 13-II-A and 13-II-B above			
13-III-B	Failure to comply with Davis-Bacon Act inspection requirements	We will request Davis-Bacon compliance documentation to ensure interviews were conducted and completely documented.	Pam Osgood Airport Manager 641-421-3680	June 30, 2014

CITY OF MASON CITY, IOWA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

FINANCIAL STATEMENTS

Finding 12-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 12-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.

Finding 12-III-A: Financial Statement Findings

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

Finding 12-III-B: Inadequate Documentation of Compliance with Davis-Bacon Act

Condition – The individual responsible for performing the requirements of the Davis-Bacon Act failed to adequately document the required tasks were completed.

Recommendation – The City's airport manager should follow up with the engineering company who accepts the responsibility for Davis-Bacon compliance to insure the appropriate checks have been performed.

Current Status – Current year audit noted noncompliance with Davis-Bacon requirements. Required Davis-Bacon interviews were not conducted.

Finding 12-III-C: Inadequate Identification of Federal Assistance Grants

Condition – The City failed to identify three Highway Planning and Construction grants as federal assistance grants paid with pass-through funds form the Iowa Department of Transportation.

Recommendation – A system should be developed to notify the Director of Finance of all grants that involve federal reimbursement of expenditures at the time the City enters into the grants.

Current Status – The City has developed a grant notification procedure informing the Director of Finance of federal assistance grants.

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Kronlage & Olson, P.C.

Certified Public Accountants

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

December 31, 2013

Mr. Kevin Jacobson
City of Mason City
10 1st Street NW
Mason City, IA 50401

Dear Mr. Jacobson:

In planning and performing our 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, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Mason City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. We noted deficiencies in internal control we consider to be material weaknesses and a significant deficiency in grant compliance in the compliance section of the June 30, 2013 CAFR. We 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.

Procedures performed during the bank reconciliation test noted a $23,000 Other City Department (OCD) check written to the Central Services Fund that remained on the outstanding check listing and was not deposited until several months later. All checks written to the City of Mason City should be deposited timely. This was caused by cashier error with the check being inadvertently included with a completely different receipt and filed. Careful review of the monthly outstanding check listing would have discovered this check misplacement. Procedures should be developed to ensure the finance department reviews, in detail, the outstanding check listing to ensure there is no loss of City funds and receipts are deposited timely.

This communication is intended solely for the information and use of management, members of City Council, and others within the organization, and 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 us at your convenience.

Sincerely yours,

KRONLAGE & OLSON, P.C.

Douglas E Kronlage

Douglas E. Kronlage, CPA

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